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Ronshine China Holdings Limited

融信中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3301)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN
NINGBO HAILIANG AND ANHUI HAILIANG

A letter from the Board is set out on pages 4 to 12 of this circular.

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Appendix I — Financial Information of the Group.	I-1
Appendix II — Accountant’s Report of Ningbo Hailiang Group	II-1
Appendix III — Accountant’s Report of Anhui Hailiang Group	III-1
Appendix IV — Unaudited Pro Forma Financial Information of the Enlarged Group.	IV-1
Appendix V — Management Discussion and Analysis on Ningbo Hailiang and Anhui Hailiang	V-1
Appendix VI — Property Valuation Report	VI-1
Appendix VII — General Information	VII-1

DEFINITIONS

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

“Acquisitions”	the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition
“Anhui Equity Transfer Agreement”	the equity transfer agreement dated 27 July 2017 entered into between Shanghai Rongen and Hairao Investment in relation to the Anhui Hailiang Acquisition
“Anhui Hailiang”	Anhui Hailiang Property Company Limited* (安徽海亮房地產有限公司), a limited liability company established in the PRC
“Anhui Hailiang Acquisition”	the acquisition of a 55% equity interest in Anhui Hailiang pursuant to the Anhui Equity Transfer Agreement
“Announcement”	the announcement of the Company dated 27 July 2017 in relation to, among other things, the Acquisitions
“Board”	the board of Directors
“Business Day”	any working day on which banks in the PRC are open for business, excluding Saturday, Sunday and statutory holidays of the PRC
“Company”	Ronshine China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Dingxin”	Dingxin Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is a controlling Shareholder
“Directors”	directors of the Company
“Enlarged Group”	the Group as enlarged by the consolidation of Ningbo Hailiang and Anhui Hailiang as a result of the Acquisitions
“Equity Transfer Agreements”	the Ningbo Equity Transfer Agreements and the Anhui Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Hailiang Charity”	Zhejiang Hailiang Charity Foundation* (浙江海亮慈善基金會), a registered foundation established under the laws of the PRC and an Independent Third Party
“Hailiang Investment”	Zhejiang Hailiang Investment Company Limited* (浙江海亮投資股份有限公司), a limited liability company established in the PRC and an Independent Third Party

DEFINITIONS

“Hailiang Metal”	Hailiang Metal Trading Group Company Limited* (海亮金屬貿易集團有限公司), a limited liability company established in the PRC, and an Independent Third Party
“Hairao Investment”	Ningbo Hairao Investment Company Limited* (寧波海饒投資有限公司), a limited liability company established in the PRC and an Independent Third Party
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (has the meaning ascribed to it under the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Kaiyin Enterprise”	Shanghai Kaiyin Enterprise Company Limited* (上海愷胤實業有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	29 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Feng”	Mr. Feng Hailiang (馮海良), an Independent Third Party
“Mr. Tang”	Mr. Tang Lu (唐魯), an Independent Third Party
“Ningbo Equity Transfer Agreements”	the five equity transfer agreements dated 27 July 2017 and entered into between Kaiyin Enterprise and each of Hairao Investment, Mr. Feng, Hailiang Investment, Mr. Tang and Hailiang Charity in relation to the Ningbo Hailiang Acquisition
“Ningbo Hailiang”	Ningbo Hailiang Property Investment Company Limited* (寧波海亮房地產投資有限公司), a limited liability company established in the PRC
“Ningbo Hailiang Acquisition”	the acquisition of a 55% equity interest in Ningbo Hailiang pursuant to the Ningbo Equity Transfer Agreements
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 31 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Rongxin Investment”	Rongxin (Fujian) Investment Company Limited* (融信(福建)投資集團有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Shanghai Rongen”	Shanghai Rongen Property Development Company Limited* (上海融恩房地產開發有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Shares”	ordinary shares of HK\$0.00001 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For the purpose of this circular, the exchange rate of RMB1 = HK\$1.18 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or HK\$ have been, could have been or may be converted at such rate or any other exchange rate.

In this circular, the English names of the PRC entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



Ronshine China Holdings Limited

融信中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3301)

Executive Directors

Mr. Ou Zonghong

Mr. Wu Jian

Mr. Lin Junling

Ms. Zeng Feiyan

Independent Non-executive Directors

Mr. Lo Wing Yan William

Mr. Ren Yunan

Mr. Qu Wenzhou

Registered office:

Cricket Square

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Cayman Islands

Principal place of business in

Hong Kong:

18/F., Tesbury Centre

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Wanchai

Hong Kong

30 December 2017

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION ACQUISITION OF EQUITY INTEREST IN NINGBO HAILIANG AND ANHUI HAILIANG

INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of, among other things, (i) the details of the Equity Transfer Agreements; (ii) the financial information of the Group; (iii) the financial information of Ningbo Hailiang; (iv) the financial information of Anhui Hailiang; (v) the unaudited pro forma financial information of the Enlarged Group; and (vi) the property valuation report of Ningbo Hailiang and Anhui Hailiang.

LETTER FROM THE BOARD

THE NINGBO HAILIANG ACQUISITION

As disclosed in the Announcement, on 27 July 2017 (after trading hours), Kaiyin Enterprise, an indirect wholly-owned subsidiary of the Company, entered into the Ningbo Equity Transfer Agreements with each of Hairao Investment, Mr. Feng, Hailiang Investment, Mr. Tang and Hailiang Charity, pursuant to which Kaiyin Enterprise has agreed to acquire in aggregate a 55% equity interest in Ningbo Hailiang from Hairao Investment, Mr. Feng, Hailiang Investment, Mr. Tang and Hailiang Charity at a total consideration of RMB2,264,023,700 (equivalent to HK\$2,626,267,492).

The terms of each of the Ningbo Equity Transfer Agreements are identical save for the name of the vendor, the percentage of equity interest in Ningbo Hailiang to be transferred and the consideration. The principal terms of each of the Ningbo Equity Transfer Agreements are set out below:

Date:

27 July 2017 (after trading hours)

Parties:

- (i) Kaiyin Enterprise (as purchaser);
- (ii) Hairao Investment (as vendor);
- (iii) Mr. Feng (as vendor);
- (iv) Hailiang Investment (as vendor);
- (v) Mr. Tang (as vendor); and
- (vi) Hailiang Charity (as vendor).

To the best of the Directors' knowledge, information and belief, after making all reasonable enquires, each of Hairao Investment, Hailiang Investment, Hailiang Charity and their respective ultimate beneficial owners as well as Mr. Feng and Mr. Tang are Independent Third Parties.

Assets to be acquired:

Kaiyin Enterprise agreed to acquire, and each of Hairao Investment, Mr. Feng, Hailiang Investment, Mr. Tang and Hailiang Charity agreed to sell their respective 30.2%, 16.9%, 4.7%, 2.1% and 1.1% equity interest in Ningbo Hailiang.

LETTER FROM THE BOARD

Consideration:

The total consideration payable by Kaiyin Enterprise in respect of the Ningbo Hailiang Acquisition is RMB2,264,023,700 (equivalent to HK\$2,626,267,492), of which RMB1,243,566,500, RMB694,026,200, RMB193,471,100, RMB85,209,600 and RMB47,750,300 shall be payable to Hairao Investment, Mr. Feng, Hailiang Investment, Mr. Tang and Hailiang Charity, respectively. The consideration for the Ningbo Hailiang Acquisition shall be settled in cash in the following manner:

- (i) within ten (10) Business Days upon the execution of the Ningbo Equity Transfer Agreements, Kaiyin Enterprise shall pay 50% of the respective consideration under the Ningbo Equity Transfer Agreements to the bank accounts jointly controlled by Kaiyin Enterprise and the respective vendors. Upon fulfilment of certain conditions which include (a) the requisite business registration regarding the transfer of the relevant equity interests in Ningbo Hailiang having been completed; and (b) the relevant administration for industry and commerce having paid the new business licence of Ningbo Hailiang, the joint control of the aforesaid bank accounts shall be lifted and the amount shall be retained for the benefit of the respective vendors; and
- (ii) within three (3) months upon the completion of the Ningbo Hailiang Acquisition, Kaiyin Enterprise shall pay the remaining 50% of the respective consideration under the Ningbo Equity Transfer Agreements, together with an interest payment to be calculated based on an annual interest rate of 5%, which was a premium to the annual interest rate of 4.35% for short term RMB loan (within 1 year) provided by the Bank of China, from the date of completion of the requisite business registration to the date of payment to the respective vendors.

The consideration was determined by the parties after arm's length negotiations primarily with reference to (a) the estimated increment to the value of the unsold properties held by Ningbo Hailiang and its subsidiaries as at 30 June 2017 less the relevant carrying amount of the unsold properties, which was determined with reference to the prevailing market price of the unsold properties held by Ningbo Hailiang and its subsidiaries as at 30 June 2017 based on the properties located in the vicinity and the historical price of the properties previously sold by Ningbo Hailiang and its subsidiaries, which amount to approximately RMB4,098,339,700; (b) the unaudited net assets attributable to the equity holders of Ningbo Hailiang as at 30 June 2017 of approximately RMB234,720,000; and (c) a discount of 5% being applied to the sum of items (a) and (b) above which was a commercial decision determined by the parties after taking into account of (a) the business relationship of the parties; and (b) the potential cooperation between the Group and the vendors to the Ningbo Hailiang Acquisition in the future in property development in the PRC, although no substantial cooperative plans have been formulated as at the date of the Ningbo Equity Transfer Agreement and as at the Latest Practicable Date. Accordingly, the Directors are of the view that the consideration under the Ningbo Equity Transfer Agreements is fair and reasonable. No adjustment mechanism to the consideration was agreed among the parties.

The consideration was financed by the Group's internal resources and has been fully settled as at the Latest Practicable Date.

Completion:

Completion of each of the Ningbo Equity Transfer Agreements shall take place on the date of completion of the registration with the relevant industrial and commerce bureau in the PRC for the change of equity interest in Ningbo Hailiang.

Upon completion, Ningbo Hailiang will become an indirect non wholly-owned subsidiary of the Company, and the financial results of Ningbo Hailiang will be consolidated into the financial statements of the Group.

As at the Latest Practicable Date, completion of the Ningbo Hailiang Acquisition has taken place, and Ningbo Hailiang was owned as to 55% by Kaiyin Enterprise.

LETTER FROM THE BOARD

THE ANHUI HAILIANG ACQUISITION

As disclosed in the Announcement, on 27 July 2017 (after trading hours), Shanghai Rongen, an indirect wholly-owned subsidiary of the Company, entered into the Anhui Equity Transfer Agreement with Hairao Investment, pursuant to which Shanghai Rongen has agreed to acquire a 55% equity interest in Anhui Hailiang from Hairao Investment at a consideration of RMB632,500,000 (equivalent to HK\$733,700,000).

The principal terms of the Anhui Equity Transfer Agreement are set out below:

Date:

27 July 2017 (after trading hours)

Parties:

- (i) Shanghai Rongen (as purchaser); and
- (ii) Hairao Investment (as vendor).

Assets to be acquired:

Shanghai Rongen agreed to acquire, and Hairao Investment agreed to sell, a 55% equity interest in Anhui Hailiang.

Consideration:

The consideration payable by Shanghai Rongen in respect of the Anhui Hailiang Acquisition is RMB632,500,000 (equivalent to HK\$733,700,000), which shall be settled in cash in the following manner:

- (i) within ten (10) Business Days upon the execution of the Anhui Equity Transfer Agreement, Shanghai Rongen shall pay 50% of the consideration under the Anhui Equity Transfer Agreement to a bank account jointly controlled by Shanghai Rongen and Hairao Investment. Upon fulfilment of certain conditions which include (a) the requisite business registration regarding the transfer of the relevant equity interests in Anhui Hailiang having been completed; and (b) the relevant administration for industry and commerce having paid the new business licence of Anhui Hailiang, the joint control of the aforesaid bank account shall be lifted and the amount shall be retained for the benefit of Hairao Investment; and
- (ii) within three (3) months upon the completion of the Anhui Hailiang Acquisition, Shanghai Rongen shall pay the remaining 50% of the consideration under the Anhui Equity Transfer Agreement, together with an interest payment to be calculated based on an annual interest rate of 5%, which was a premium to the annual interest rate of 4.35% for short term RMB loan (within 1 year) provided by the Bank of China, from the date of completion of the requisite business registration to the date of payment to Hairao Investment.

The consideration was determined by the parties after arm's length negotiations primarily with reference to (a) the estimated increment to the value of the unsold properties held by Anhui Hailiang and its subsidiaries as at 30 June 2017 less the relevant carrying amount of the unsold properties, which was determined with reference to the prevailing market price of the unsold properties held by Anhui Hailiang and its subsidiaries as at 30 June 2017 based on the properties located in the vicinity and the historical price of the properties previously sold by Anhui Hailiang and its subsidiaries, which amount to approximately RMB553,706,300; (b) the unaudited net assets attributable to the equity holders of Anhui Hailiang as at 30 June 2017 of approximately RMB656,820,000; and (c) a discount of 5% being applied to the sum of items (a) and (b) above which was a commercial decision determined by the parties after taking into account of (a) the business relationship of the parties; and (b) the potential cooperation between the Group and Hairao Investment in the future in property development in the PRC, although no substantial cooperative plans have been formulated as at the date of the Anhui Equity Transfer Agreement and as at the Latest Practicable Date. Accordingly, the Directors are of the view that the consideration under the Anhui Equity Transfer Agreement is fair and reasonable. No adjustment mechanism to the consideration was agreed among the parties. The consideration was financed by the Group's internal resources and has been fully settled as at the Latest Practicable Date.

LETTER FROM THE BOARD

Completion:

Completion of the Anhui Hailiang Acquisition shall take place on the date of completion of the registration with the relevant industrial and commerce bureau in the PRC for the change of equity interest in Anhui Hailiang.

Upon completion, Anhui Hailiang will become an indirect non wholly-owned subsidiary of the Company, and the financial results of Anhui Hailiang will be consolidated into the financial statements of the Group.

As at the Latest Practicable Date, completion of the Anhui Hailiang Acquisition has taken place, and Anhui Hailiang was owned as to 55% by Shanghai Rongen.

INFORMATION ON NINGBO HAILIANG

Ningbo Hailiang is a limited liability company established in the PRC, and, together with its subsidiaries and associates, are principally engaged in real estate project investment and wholesales and retail sales of building materials (except bamboo).

As at 30 June 2017, the audited total net asset of Ningbo Hailiang was approximately RMB379,509,000, and the audited net profits of Ningbo Hailiang for the two financial years ended 31 December 2016 and the six months ended 30 June 2017 were as follows:

	For the year ended 31 December 2015 (approximate RMB)	For the year ended 31 December 2016 (approximate RMB)	For the six months ended 30 June 2017 (approximate RMB)
Net profit before taxation	755,103,000	326,131,000	232,514,000
Net profit after taxation	492,262,000	157,548,000	148,034,000

INFORMATION ON ANHUI HAILIANG

Anhui Hailiang is a limited liability company established in the PRC, and, together with its subsidiaries, are principally engaged in property development and the sales, lease and provision of after-sales service for commercial housings.

As at 30 June 2017, the audited total net asset of Anhui Hailiang was approximately RMB848,037,000, and the audited net profits of Anhui Hailiang for the two financial years ended 31 December 2016 and the six months ended 30 June 2017 were as follows:

	For the year ended 31 December 2015 (approximate RMB)	For the year ended 31 December 2016 (approximate RMB)	For the six months ended 30 June 2017 (approximate RMB)
Net profit before taxation	983,046,000	526,576,000	134,605,000
Net profit after taxation	673,849,000	367,193,000	94,243,000

LETTER FROM THE BOARD

INFORMATION ABOUT PARTIES TO THE EQUITY TRANSFER AGREEMENTS

The Company

The Company is an investment holding company. The Group is a property developer in the PRC, focusing on the development of residential properties in cities in the Western Taiwan Straits Economic Zone and selected first- and second-tier cities. The Group is primarily engaged in the development of mid- to high-end residential properties, and also develops commercial properties integrated with or in the vicinity of its residential properties, including office buildings, retail shops and other commercial properties.

Kaiyin Enterprise

Kaiyin Enterprise is a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company which is principally engaged in property development in the PRC.

Shanghai Rongen

Shanghai Rongen is a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company which is principally engaged in property development in the PRC.

Hairao Investment

Hairao Investment is a limited liability company established in the PRC, which is principally engaged in industrial investment, investment consultation, investment management and wholesales and retail sales of non-ferrous metal materials and building materials.

Mr. Feng

Mr. Feng is a PRC resident and a merchant.

Hailiang Investment

Hailiang Investment is a limited liability company established in the PRC, which is principally engaged in industrial investment and investment consultation.

Mr. Tang

Mr. Tang is a PRC resident and a merchant.

Hailiang Charity

Hailiang Charity is a registered foundation established under the laws of the PRC, which is principally engaged in charitable activities in the provision of relief to individuals who suffered economic distress due to emergencies, incurable diseases and acute illness.

LETTER FROM THE BOARD

REASONS FOR AND BENEFIT OF THE ACQUISITIONS

With the continuous steady development of the real estate market in the PRC, the Directors believe that the Acquisitions will increase the land bank of the Group, enhance the Group's position and market presence in the PRC property market and will provide the Group with a better opportunity for project development in Anhui and Zhejiang provinces. As at 30 June 2017, the total gross floor area of land under construction held by Anhui Hailiang and Ningbo Hailiang was approximately 1,070,463 square meters and approximately 3,904,032 square meters, respectively, while the total gross floor area of proposed construction was approximately 400,407 square meters and approximately 707,091 square meters, respectively. The types of properties held by Anhui Hailiang and Ningbo Hailiang were mainly for residential and commercial use. As detailed in the property valuation report of Ningbo Hailiang and Anhui Hailiang in Appendix VI to this circular, the market value of the property interests held by (i) Ningbo Hailiang, its associated companies and subsidiaries and (ii) Anhui Hailiang and its subsidiaries as at 30 September 2017 amount to RMB23,973.5 million and RMB6,485.3 million, respectively. Through the Acquisitions, not only that the Group could consolidate the financial results of Ningbo Hailiang and Anhui Hailiang to the Group's financial statements, the Group's market position in cities in western and central part of the PRC will also be further strengthened. In addition, the management team of Anhui Hailiang and Ningbo Hailiang have solid experience in property development and management in the PRC, which can enrich the real estate development and management team of the Company and meet the growing personnel needs of the Company. Further, the brand and product quality of Anhui Hailiang and Ningbo Hailiang enjoy a good reputation in their cities. Also, there is a high degree of conformity in areas of business philosophy, industry dynamic analysis, market judgement and macro-economic policy research between the management team of the Company and the management team of Ningbo Hailiang and Anhui Hailiang, which would facilitate the cooperation between them upon completion.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Acquisitions are carried out on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITIONS

Upon completion of the Acquisitions, Ningbo Hailiang and Anhui Hailiang will become indirect non wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group.

1. Assets and liabilities

As detailed in the unaudited pro forma statement of the consolidated assets and liabilities of the Enlarged Group in Appendix IV to this circular, assuming the Acquisitions were completed as at 30 June 2017, the unaudited pro forma consolidated assets of the Enlarged Group would have increased from RMB118,618.4 million to RMB147,900.7 million, the unaudited pro forma consolidated liabilities of the Enlarged Group would have increased from RMB93,992.4 million to RMB120,449.3 million and the net assets would have increased from RMB24,626.0 million to RMB27,451.4 million as a result of the Acquisitions.

2. Earnings

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, Ningbo Hailiang recorded the revenue of RMB3,477.3 million, RMB5,270.4 million and RMB1,543.4 million, respectively. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, Anhui Hailiang recorded the revenue of RMB5,712.9 million, RMB5,276.4 million and RMB1,101.7 million, respectively. In view of the profit-making track record of Ningbo Hailiang and Anhui Hailiang, the Directors expect that the earnings of the Group will be enhanced by the Acquisitions.

LETTER FROM THE BOARD

PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the property interests held by Anhui Hailiang and Ningbo Hailiang (the “**Property Interests**”) as at 30 September 2017. The full text of the letter and valuation certificate paid by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is included in Appendix VI to this circular.

The table below sets out the reconciliation between the net book value of the Property Interests as at 30 June 2017 as set out in Appendices II and III to this circular and the valuation of the Property Interests as at 30 September 2017 as set out in Appendix VI to this circular:

	<i>RMB'000</i>
Net book value of the Property Interests as at 30 June 2017	18,945,080
— properties under development	15,017,962
— completed properties held for sale	3,286,047
— Prepayments for acquisition of land use rights.....	639,292
— Buildings.	1,779
Addition.	384,719
Net book value of the Property Interests as at 30 September 2017	19,329,799
Valuation surplus, before tax	7,844,991
Valuation of the Property Interests as at 30 September 2017 as set out in the property valuation report in Appendix VI (the “ Property Valuation Report ”).....	30,458,770
Less: Valuation of the properties of the associated companies of Anhui Hailiang and Ningbo Hailiang included in the Property Valuation Report	3,283,980
Valuation of the Property Interests as at 30 September 2017 as set out in the Property Valuation Report (excluding properties of the associated companies of Anhui Hailiang and Ningbo Hailiang)	27,174,790

It is not applicable to compare the considerations of the Acquisitions with the valuation of the property interests held by Ningbo Hailiang and Anhui Hailiang in the independent valuation report as set out in Appendix VI to this circular because:

- (i) on the one hand, the independent valuation report was prepared by an independent professional valuer on a market value basis solely on the property interests of Ningbo Hailiang and Anhui Hailiang; and
- (ii) on the other hand, the estimated increment to the value of the unsold properties held by Ningbo Hailiang and Anhui Hailiang was an estimation commercially agreed after arm’s length negotiations between the relevant parties to the Acquisitions with reference to various factors including (a) the liabilities reflected in the balance sheet of Ningbo Hailiang and Anhui Hailiang; and (b) commercial factors, such as potential cooperation between the parties in the future and the business relationships between the parties.

LETTER FROM THE BOARD

Pursuant to Note 4 to the Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix IV to this circular, the fair value of identifiable assets and liabilities of Ningbo Hailiang and Anhui Hailiang amounted to approximately RMB2,925,577,000, which was at the similar level of the total cash consideration paid by the Group of RMB2,896,524,000 in respect of the Acquisitions.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as set out in the Listing Rules in respect of the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition is/are more than 25% but less than 100%, the entering into of the Equity Transfer Agreements constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As such, the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition are subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER APPROVAL

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition and is required to abstain from voting if the Company was to convene a general meeting for the approval of the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition. The Company has obtained a written shareholder approval from Dingxin, which held 1,014,000,000 Shares, representing approximately 67.84% of the paid share capital of the Company, as at the Latest Practicable Date for the approval of the Ningbo Hailiang Acquisition and the Anhui Hailiang Acquisition pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

RECOMMENDATION

The Directors, including the independent non-executive Directors, are of the view that the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution.

FURTHER INFORMATION

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

Yours faithfully
By order of the Board
Ronshine China Holdings Limited
Ou Zonghong
Chairman

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2016

Financial information of the Group for the three years ended 31 December 2014, 2015 and 2016 are disclosed on pages I-1 to I-91 of the Prospectus, pages 72 to 156 of the annual report of the Company for the year ended 31 December 2015 and pages 97 to 203 of the annual report of the Company for the year ended 31 December 2016, respectively, all of which are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.rongxingroup.com. Quick links to the Prospectus and annual reports of the Company are set out below:

Prospectus:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1231/LTN20151231085.pdf>

Annual report of the Company for the year ended 31 December 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN20160426342.pdf>

Annual report of the Company for the year ended 31 December 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427928.pdf>

II. INDEBTEDNESS

(a) Borrowings

At the close of business on 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total borrowings of RMB69,844.8 million as set forth below:

	The Group		Ningbo Hailiang		Anhui Hailiang		Total	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank borrowings	12,765,575	—	2,590,000	—	259,000	—	15,614,575	—
Other borrowings	36,585,050	2,663,431	700,000	—	—	—	37,285,050	2,663,431
Asset backed securities	827,200	—	—	—	—	—	827,200	—
Corporate bonds	—	10,815,083	—	—	—	—	—	10,815,083
Senior notes	—	2,639,485	—	—	—	—	—	2,639,485
Total	<u>50,177,825</u>	<u>16,117,999</u>	<u>3,290,000</u>	<u>—</u>	<u>259,000</u>	<u>—</u>	<u>53,726,825</u>	<u>16,117,999</u>

As at 31 October 2017, the Group's borrowings of RMB50,177.8 million were secured by the Group's assets which include completed properties held for sale, properties under development, investment properties, property, plant and equipment, land use rights, equity interests of certain subsidiaries and term deposits. In addition to the pledge of the Group's assets, Mr. Ou Zonghong, the chairman of the Company and an executive Director, has provided personal guarantee for the bank and other borrowings of RMB2,863.4 million as at 31 October 2017.

As at 31 October 2017, Ningbo Hailiang's borrowings of RMB3,290 million were secured by the Ningbo Hailiang's assets which included properties under development.

As at 31 October 2017, Anhui Hailiang's borrowings of RMB259 million were secured by the Anhui Hailiang's assets which included completed properties held for sale and properties under development.

(b) Guarantees

The Enlarged Group has arranged bank financing for certain purchasers of the Enlarged Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties. As at 31 October 2017, the guarantees in respect of the mortgage facilities provided to certain purchasers of the properties of the Group, Ningbo Hailiang and Anhui Hailiang amounted to RMB11,402.4 million, RMB10,712.7 million and RMB4,629.6 million, respectively.

As at the close of business on 31 October 2017, the Group has provided guarantees to certain joint ventures in respect of the borrowings drawn from certain financial institutions. As at 31 October 2017, the outstanding borrowings guaranteed by the Group amounted to RMB628.8 million.

Save as disclosed above, as at the close of business on 31 October 2017, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the name of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages and charges, and there were no other contingent liabilities nor guarantees.

III. WORKING CAPITAL

After taking into account the Enlarged Group's available resources, including internally generated funds, external borrowings and the presently available banking facilities, in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2016, being the date to which the latest audited consolidated financial statements of the Company were published.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group will continue to cultivate its business in the core areas of the first-tier and second-tier cities and strategically expand to other first-tier and second-tier cities and some third-tier cities with development potential. At the same time, taking into account the fierce competition in the land market of China, the Group will further expand its access to land parcels and increase the proportion of land parcels acquired through mergers and acquisitions so as to maintain reasonable land cost while obtaining quality land resources.

As mentioned under the paragraph headed “Reasons for and Benefits of the Acquisitions” in the Letter from the Board in this circular, the Acquisitions will increase the land bank of the Group, enhance the Group’s position and market presence in the PRC property market and will provide the Group with a better opportunity for project development in Anhui and Zhejiang provinces. Upon completion of the Acquisitions, the financial results of Ningbo Hailiang and Anhui Hailiang will be consolidated into the financial statements of the Group, and the Group’s market position in cities in western and central part of the PRC could be strengthened.

The Board considers the Acquisitions are in line with the Group’s business strategy, and the Board will continue to seek for good opportunities in investments and property development projects for the Group.

In the future, the Company will continue to actively explore business opportunities in the PRC by way of mergers and acquisition with property development companies with a view to further implementing its strategy to further expand to other first-tier and second-tier cities and some third-tier cities in the PRC with development potential.

The following is the text of a report set out on pages II-1 to II-59, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RONSHINE CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of Ningbo Hailiang Property Investment Company Limited ("Ningbo Hailiang") and the companies engaged in residential and commercial property development in the People's Republic of China as set out in Note 1 (b) of Section II below (together, "Ningbo Hailiang Group"), which comprises the combined balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-59 forms an integral part of this report, which has been prepared for inclusion in the circular of Ronshine China Holdings Limited (the "Company") dated 30 December 2017 (the "Circular") in connection with the acquisition of Ningbo Hailiang by a subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(d) and 2.1 of Section II to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Ningbo Hailiang Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of Ningbo Hailiang Group for the Track Record Period. The directors of Ningbo Hailiang are responsible for the preparation of the previously issued financial statements of Ningbo Hailiang Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(d) and 2.1 of Section II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the combined financial position of Ningbo Hailiang Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of preparation set out in Notes 1(d) and 2.1 of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Ningbo Hailiang Group which comprises the combined income statements, the combined statement of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 1(d) and 2.1 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report of Ningbo Hailiang Group, is not prepared, in all material respects,

in accordance with the basis of preparation set out in Notes 1(d) and 2.1 of Section II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

30 December 2017

I HISTORICAL FINANCIAL INFORMATION OF THE NINGBO HAILIANG GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Combined income statements

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	1,064,342	3,477,339	5,270,440	1,435,351	1,543,440
Cost of sales	7	(988,329)	(2,484,183)	(4,657,428)	(1,128,550)	(1,174,483)
Gross profit		76,013	993,156	613,012	306,801	368,957
Selling and marketing cost	7	(116,436)	(115,895)	(163,582)	(70,402)	(72,469)
Administrative expenses	7	(105,249)	(120,333)	(120,624)	(72,650)	(63,482)
Operating profit		(145,672)	756,928	328,806	163,749	233,006
Finance income		1,716	2,379	4,410	1,912	3,497
Finance costs		—	—	—	—	—
Finance income — net	9	1,716	2,379	4,410	1,912	3,497
Share of loss of investments accounted for using the equity method, net		—	(4,204)	(7,085)	(3,183)	(3,989)
(Loss)/profit before income tax		(143,956)	755,103	326,131	162,478	232,514
Income tax expenses	10	(25,142)	(262,841)	(168,583)	(84,698)	(84,480)
(Loss)/profit for the year/period		<u>(169,098)</u>	<u>492,262</u>	<u>157,548</u>	<u>77,780</u>	<u>148,034</u>
(Loss)/profit for the year/period attributable to:						
Owners of the Ningbo Hailiang		(190,500)	492,297	159,032	79,263	149,144
Non-controlling interests		21,402	(35)	(1,484)	(1,483)	(1,110)
		<u>(169,098)</u>	<u>492,262</u>	<u>157,548</u>	<u>77,780</u>	<u>148,034</u>

(b) Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
(Loss)/profit for the year/period	(169,098)	492,262	157,548	77,780	148,034
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	<u>(169,098)</u>	<u>492,262</u>	<u>157,548</u>	<u>77,780</u>	<u>148,034</u>
Total comprehensive income attributable to:					
Owners of Ningbo Hailiang	(190,500)	492,297	159,032	79,263	149,144
Non-controlling interests	21,402	(35)	(1,484)	(1,483)	(1,110)
	<u>(169,098)</u>	<u>492,262</u>	<u>157,548</u>	<u>77,780</u>	<u>148,034</u>

(c) Combined balance sheets

		31 December		30 June	
	Note	2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	12,232	10,614	8,413	7,330
Intangible assets		2,819	2,000	1,512	1,912
Investment in associates	13	—	69,296	65,072	58,349
Deferred income tax assets	23	66,020	32,160	39,601	60,799
		81,071	114,070	114,598	128,390
Current assets					
Properties under development	15	7,444,958	12,174,018	10,526,554	12,604,305
Completed properties held for sale	15	418,166	984,712	1,758,001	1,451,867
Trade and other receivables and prepayments	16	614,504	639,470	628,685	1,008,710
Amounts due from related parties	28(d)	945,436	1,878,083	2,497,584	1,479,451
Amounts due from customers for contract works	17	4,943	—	—	—
Prepaid income taxation		22,186	54,439	167,256	304,118
Restricted cash	18	86,290	115,772	148,299	279,515
Cash and cash equivalents	19	223,688	721,089	1,053,598	1,217,272
		9,760,171	16,567,583	16,779,977	18,345,238
Total assets		9,841,242	16,681,653	16,894,575	18,473,628

APPENDIX II ACCOUNTANT'S REPORT OF NINGBO HAILIANG GROUP

		31 December			30 June
	Note	2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Equity attributable to owners of Ningbo Hailiang					
Combined capital	20	300,000	300,000	300,000	300,000
Other reserves	21	526,574	1,018,871	1,177,903	69,329
		826,574	1,318,871	1,477,903	369,329
Non-controlling interests		—	4,965	10,081	10,180
Total equity		826,574	1,323,836	1,487,984	379,509
LIABILITIES					
Non-current liabilities					
Borrowings	22	596,091	1,526,501	1,720,000	1,287,000
Current liabilities					
Pre-sale proceeds received from customers		4,019,134	5,751,125	8,536,845	11,426,912
Amounts due to related parties	28(d)	2,812,712	3,525,159	2,175,244	1,434,607
Amounts due to customers for contract works	17	—	58,393	7,644	115
Trade and other payables	24	1,228,837	1,350,628	1,765,141	1,942,485
Borrowings	22	303,909	3,061,368	1,126,501	2,003,000
Current income tax liabilities		53,985	84,643	75,216	—
		8,418,577	13,831,316	13,686,591	16,807,119
Total liabilities		9,014,668	15,357,817	15,406,591	18,094,119
Total equity and liabilities		9,841,242	16,681,653	16,894,575	18,473,628

(d) Combined statements of changes in equity

	Attributable to owners of Ningbo Hailiang						
	Other reserves				Total	Non-controlling interests	Total equity
	Combined capital	Capital reserves	Statutory reserves	Retained earnings/ (accumulated losses)			
	RMB'000 Note 20	RMB'000 Note 21(a)	RMB'000 Note 21(b)	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014							
Balance at 1 January 2014	300,000	547,462	38,983	130,629	1,017,074	41,967	1,059,041
Comprehensive income							
— (Loss)/profit for the year	—	—	—	(190,500)	(190,500)	21,402	(169,098)
— Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	(190,500)	(190,500)	21,402	(169,098)
Transactions with owners in their capacities as owners							
— Acquisition of additional interests in a subsidiary	—	—	—	—	—	(63,369)	(63,369)
Balance at 31 December 2014	300,000	547,462	38,983	(59,871)	826,574	—	826,574

	Attributable to owners of Ningbo Hailiang						
	Other reserves				Total	Non-controlling interests	Total equity
	Combined capital	Capital reserves	Statutory reserves	(Accumulated losses)/ retained earnings			
	RMB'000 Note 20	RMB'000 Note 21(a)	RMB'000 Note 21(b)	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2015							
Balance at 1 January 2015	300,000	547,462	38,983	(59,871)	826,574	—	826,574
Comprehensive income							
— Profit/(loss) for the year	—	—	—	492,297	492,297	(35)	492,262
— Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	492,297	492,297	(35)	492,262
Transactions with owners in their capacities as owners							
— Capital injections from non-controlling interests	—	—	—	—	—	5,000	5,000
Transfer to statutory reserves	—	—	46,749	(46,749)	—	—	—
Balance at 31 December 2015	300,000	547,462	85,732	385,677	1,318,871	4,965	1,323,836

	Attributable to owners of Ningbo Hailiang						
		Other reserves					
	Combined capital	Capital reserves	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 20	Note 21(a)	Note 21(b)				
For the year ended 31 December 2016							
Balance at 1 January 2016	300,000	547,462	85,732	385,677	1,318,871	4,965	1,323,836
Comprehensive income							
— Profit/(loss) for the year	—	—	—	159,032	159,032	(1,484)	157,548
— Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	159,032	159,032	(1,484)	157,548
Transactions with owners in their capacities as owners							
— Capital injections from non-controlling interests	—	—	—	—	—	6,600	6,600
Transfer to statutory reserves	—	—	14,352	(14,352)	—	—	—
Balance at 31 December 2016	300,000	547,462	100,084	530,357	1,477,903	10,081	1,487,984

	Attributable to owners of Ningbo Hailiang						
	Other reserves				Total	Non-controlling interests	Total equity
	Combined capital	Capital reserves	Statutory reserves	Retained earnings/			
				(accumulated losses)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 20	Note 21(a)	Note 21(b)				
For the six months ended							
30 June 2017							
Balance at 1 January 2017	300,000	547,462	100,084	530,357	1,477,903	10,081	1,487,984
Comprehensive income:							
— Profit/(loss) for the period	—	—	—	149,144	149,144	(1,110)	148,034
— Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	149,144	149,144	(1,110)	148,034
Transactions with owners in their capacities as owners							
— Dividends (Note 11)	—	—	—	(1,250,000)	(1,250,000)	—	(1,250,000)
— Acquisition of additional interests in a subsidiary	—	(7,718)	—	—	(7,718)	(1,591)	(9,309)
— Capital injections from non-controlling interests	—	—	—	—	—	2,800	2,800
Total transactions with owners in their capacities as owners	—	(7,718)	—	(1,250,000)	(1,257,718)	1,209	(1,256,509)
Transfer to statutory reserves	—	—	38,805	(38,805)	—	—	—
Balance at 30 June 2017	300,000	539,744	138,889	(609,304)	369,329	10,180	379,509

	Attributable to owners of Ningbo Hailiang						
		Other reserves					
	Combined capital	Capital reserves	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 20	Note 21(a)	Note 21(b)				
(Unaudited)							
For the six months ended 30 June 2016							
Balance at 1 January 2016	300,000	547,462	85,732	385,677	1,318,871	4,965	1,323,836
Comprehensive income:							
— Profit/(loss) for the period	—	—	—	79,263	79,263	(1,483)	77,780
— Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	79,263	79,263	(1,483)	77,780
Transactions with owners in their capacities as owners							
— Capital injections from non-controlling interests	—	—	—	—	—	6,600	6,600
Transfer to statutory reserves	—	—	—	—	—	—	—
Balance at 30 June 2016	300,000	547,462	85,732	464,940	1,398,134	10,082	1,408,216

(e) Combined statements of cash flows

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Cash flows from operating activities						
Cash (used in)/generated from operations	25(a)	(410,831)	(2,287,720)	5,005,178	(1,941,393)	1,270,765
PRC income tax paid		(109,032)	(230,576)	(298,268)	(248,490)	(317,756)
Net cash (used in)/generated from operating activities		<u>(519,863)</u>	<u>(2,518,296)</u>	<u>4,706,910</u>	<u>(2,189,883)</u>	<u>953,009</u>
Cash flows from investing activities						
Payments for purchase of property, plant and equipment and intangible assets		(5,170)	(1,226)	(1,212)	(976)	(882)
Proceeds from disposal of equipment		308	17	67	6	147
Capital injections to associates		—	(73,500)	(4,800)	—	—
Interests received		1,716	2,379	4,410	1,912	3,497
Cash advances to related parties		(946,837)	(2,375,410)	(8,441,351)	(3,566,452)	(8,795,900)
Repayments from related parties		<u>1,002,410</u>	<u>1,442,763</u>	<u>7,821,850</u>	<u>5,409,535</u>	<u>9,814,033</u>
Net cash generated from/(used in) investing activities		<u>52,427</u>	<u>(1,004,977)</u>	<u>(621,036)</u>	<u>1,844,025</u>	<u>1,020,895</u>

APPENDIX II ACCOUNTANT'S REPORT OF NINGBO HAILIANG GROUP

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Cash flows from financing activities						
Capital injections from non-controlling interests		—	5,000	6,600	6,600	2,800
Acquisition of additional interests in a subsidiary		(63,369)	—	—	—	(9,309)
Proceeds from borrowings		900,000	6,388,869	4,269,737	1,428,714	1,803,591
Repayments of borrowings		(777,000)	(2,701,000)	(6,011,105)	(450,000)	(1,360,092)
Amounts received from the ultimate holding company of the Ningbo Hailiang Group and its subsidiaries (Note 28(d)(v))		6,734,940	6,455,224	2,516,319	1,197,056	3,378,780
Repayments to the ultimate holding company of the Ningbo Hailiang Group and its subsidiaries (Note 28(d)(v))		(6,456,457)	(5,783,137)	(4,145,904)	(1,740,384)	(4,355,804)
Cash advances from related parties		1,416,060	2,299,935	878,443	411,537	433,511
Repayments to related parties		(806,533)	(2,259,575)	(598,773)	(302,286)	(197,124)
Interests paid		(364,638)	(384,642)	(668,682)	(332,793)	(256,583)
Dividends paid to owners of Ningbo Hailiang		—	—	—	—	(1,250,000)
Net cash generated from/(used in) financing activities		<u>583,003</u>	<u>4,020,674</u>	<u>(3,753,365)</u>	<u>218,444</u>	<u>(1,810,230)</u>
Net increase/(decrease) in cash and cash equivalents		115,567	497,401	332,509	(127,414)	163,674
Cash and cash equivalents at beginning of the year/period		<u>108,121</u>	<u>223,688</u>	<u>721,089</u>	<u>721,089</u>	<u>1,053,598</u>
Cash and cash equivalents at end of the year/period		<u>223,688</u>	<u>721,089</u>	<u>1,053,598</u>	<u>593,675</u>	<u>1,217,272</u>

II NOTES TO THE COMBINED FINANCIAL STATEMENTS**1 General information*****(a) General information***

Ningbo Hailiang Property Investment Company Limited (寧波海亮房地產投資有限公司) (“Ningbo Hailiang”) is incorporated in the People’s Republic of China (the “PRC”) on 16 June 2017. The addresses of their registered office is No. 5, Meishan Avenue, Ningbo, the PRC. Its principal activity is investment holding and property development. Ningbo Hailiang and its subsidiaries (together, “Ningbo Hailiang Group”) are private companies and principally engaged in residential and commercial property development in the People’s Republic of China (the “PRC”), especially focus on Ningxia, Shaanxi, Suzhou, Anhui and He’nan (the “Business”).

The ultimate controlling party of Ningbo Hailiang Group is Mr. Feng Hailiang (“Mr. Feng”) and his spouse, Ms. Zhu Aihua (“Ms. Zhu”) (collectively, the “Controlling Shareholders”).

(b) Reorganisation

In preparation for the acquisition by Ronshine China Holdings Limited, Ningbo Hailiang and the other companies now comprising Ningbo Hailiang Group have undergone a reorganisation (the “Reorganisation”) pursuant to which group companies engaged in the Business were transferred to Ningbo Hailiang. The Reorganisation was started in March 2017 and completed on 14 September 2017. Ningbo Hailiang’s principal subsidiaries and associates now comprising Ningbo Hailiang Group after the completion of the Reorganisation are set out in Note 1(c).

(c) Companies comprising Ningbo Hailiang Group

Details of the companies comprising Ningbo Hailiang Group which are all incorporated in the PRC as at 31 December 2014, 2015 and 2016 and 30 June 2017 were as follows:

Name of company	Date of incorporation	Principal activities	Equity interest held as at			
			31 December 2014	31 December 2015	30 June 2016	30 June 2017
Subsidiaries:						
Ningxia Hailiang Real Estate Development Co., Ltd. 寧夏海亮房地產有限公司	10 October 2007	Property development	100%	100%	100%	100%
Hailiang Real Estate Holdings Management Co., Ltd. 海亮地產控股集團管理有限公司	29 April 2011	Property development	100%	100%	100%	100%
Lanzhou Hailiang Real Estate Development Co., Ltd. 蘭州海亮房地產開發有限公司	21 November 2012	Property development	100%	100%	100%	100%
Suzhou City Wujiang Hailiang Real Estate Co., Ltd. 蘇州市吳江海亮房地產有限公司	07 March 2013	Property development	100%	100%	100%	100%
Ganzhou Hailiang Real Estate Co., Ltd. 贛州海亮房地產有限公司	23 July 2013	Property development	100%	100%	100%	100%
Xining Hailiang Real Estate Development Co., Ltd. 西寧海亮房地產開發有限公司	08 November 2013	Property development	100%	100%	100%	100%
Xi'an Hai Kuo Real Estate Development Co., Ltd. 西安海闊房地產開發有限公司	10 February 2014	Property development	100%	100%	100%	100%
Nantong Hailiang Real Estate Holdings Ltd. 南通海亮房地產有限公司	28 February 2014	Property development	100%	100%	100%	100%
Zhengzhou Hai Liang Real Estate Development Co., Ltd. 鄭州海亮房地產開發有限公司	26 May 2014	Property development	100%	100%	100%	100%
Fuyang Hailiang Yingdong Real Estate Co., Ltd. 阜陽海亮穎東房地產有限公司	02 December 2014	Property development	100%	100%	100%	100%
Suzhou Industrial Park Shengzhe Real Estate Co., Ltd. 蘇州工業園區聖哲房地產有限公司	30 July 2015	Property development	N/A	95%	95%	95%
Xi'an Hai Ling Real Estate Development Co., Ltd. 西安海領房地產開發有限公司	27 September 2016	Property development	N/A	N/A	51%	67%

APPENDIX II ACCOUNTANT'S REPORT OF NINGBO HAILIANG GROUP

Name of company	Date of incorporation	Principal activities	Equity interest held as at			
			31 December		30 June	
			2014	2015	2016	2017
Fuyang Haikuo Fuhe Property Co., Ltd. 阜陽海闊阜合房地產有限公司	14 December 2016	Property development	N/A	N/A	100%	100%
Fuyang Hailiang Xincheng Property Co., Ltd. 阜陽海亮星城置業有限公司	20 January 2017	Property development	N/A	N/A	N/A	100%
Shaanxi Sheng Shi Hai Hong Real Estate Development Co., Ltd. 陝西盛世海宏房地產開發有限公司	28 March 2017	Property development	N/A	N/A	N/A	64%
Associates:						
Yinchuan Haimao Real Estate Co., Ltd. 銀川海茂房地產有限公司	20 May 2015	Property development	N/A	49%	49%	49%
Yinchuan Shihai Real Estate Co., Ltd. 銀川世海房地產有限公司	02 September 2015	Property development	N/A	49%	49%	49%
Shannxi Hai He Real Estate Development Co., Ltd. 陝西海和房地產開發有限公司	24 May 2016	Property development	N/A	N/A	48%	48%

- (i) The English names of PRC companies referred to below in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.
- (ii) For all non-wholly owned subsidiaries, there was no entity whose non-controlling interests were individually significant to Ningbo Hailiang Group as at 31 December 2014, 2015 and 2016 and 30 June 2017.
- (iii) All entities comprising Ningbo Hailiang Group are limited liability companies and have adopted 31 December as their financial year end date.

(d) Basis of presentation

For the purpose of this report, the combined financial statements of Ningbo Hailiang Group have been prepared on a basis in accordance with the principles of the Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the HKICPA. The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flow of Ningbo Hailiang Group for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 (the "Track Record Period") have been prepared using the Historical Financial Information of the companies engaged in the Business which, under the common control of the Controlling Shareholders and now comprising Ningbo Hailiang Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period. The combined balance sheets of Ningbo Hailiang Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 have been prepared to present the assets and liabilities of the companies now comprising Ningbo

Hailiang Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of Ningbo Hailiang Group were combined using the existing book values from the Controlling Shareholders’ perspective.

For companies acquired from or disposed to a third party during the Track Record Period, they are included in or excluded from the combined financial statements of Ningbo Hailiang Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

Prior to the completion of the Reorganisation, certain companies under the common control of the Controlling Shareholders had engaged in the Business and certain other businesses (the “Excluded Business”).

The combined balance sheets include assets and liabilities that are directly related and clearly identified to the Business and the combined income statements include all revenues, related costs, expenses and charges directly generated or incurred by the Business.

The directors of Ningbo Hailiang consider that the above method of presentation provides the fairest approximation of the amounts attributable to the Historical Financial Information of the Business for Track Record Period.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied in all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Ningbo Hailiang Group has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ningbo Hailiang Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(a) New and amended standards not yet adopted

The following new and amended standards and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by Ningbo Hailiang Group:

		Effective for annual periods beginning on or after
HKAS 28 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKAS 40 (amendment)	Transfers of investment property	1 January 2018
HKFRS 1 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKFRS 2 (amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018 or when the Ningbo Hailiang Group first applies HKFRS 9
HKFRS 9	Financial instruments and associated amendments to various other standards	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendment)	Clarification to HKFRS 15	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant effect on the combined financial statements of the Ningbo Hailiang Group, except those set out in Note (i), (ii), and (iii).

(i) HKFRS 15, Revenue from contracts with customers

HKFRS 15, Revenue from Contracts with Customers is expected to be adopted by the Ningbo Hailiang Group for the financial year beginning on 1 January 2018. HKFRS 15 recognised revenue when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The underlying principal is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This is not the same as transfer of risks and rewards concept as currently adopted by the Ningbo Hailiang Group according to HKAS 18, "Revenue". Entities with transactions that involve variable considerations, selling multiple goods or services in a single arrangement, license arrangements or where the performance by an entity and payment by its customer might occur at significantly different times are expected to be significantly affected by the new revenue recognition principle of HKFRS 15. The directors of the Ningbo Hailiang are now assessing the impact of HKFRS 15 to the Ningbo Hailiang Group's revenue recognition. It is not expected adoption of HKFRS 15 will lead to significant changes to the Ningbo Hailiang Group's existing revenue recognition (Note 2.22).

(ii) HKFRS 9, Financial instruments and associated amendments to various other standards

HKFRS 9, Financial instruments is expected to be adopted by the Ningbo Hailiang Group for the financial year beginning on 1 January 2018. The major changes to the existing policies adopted by the Ningbo Hailiang Group includes:

Changes on classification and measurement of financial assets and liabilities

HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

The directors of the Ningbo Hailiang do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Ningbo Hailiang Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.9), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

Changes on the impairment model

HKFRS 9 introduce a new, forward looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a “three stages” approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

The directors of the Ningbo Hailiang expect the new impairment model introduced by HKFRS9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.11).

(iii) HKFRS 16, Leases

The Ningbo Hailiang Group is lessees of certain offices, which are currently classified as operating leases. The Ningbo Hailiang Group's current accounting policy for such leases, as set out in Note 2.13, is to record the operating lease expenses in the Ningbo Hailiang Group's combined income statement for the current period with the disclosure of related operating lease commitments. As at 30 June 2017, the Ningbo Hailiang Group's total non-cancellable operating lease commitments amounted to RMB3,529,000 (Note 27). HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the combined statement of financial position. Instead, all non-current leases must be recognized in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Ningbo Hailiang Group's combined statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined balance sheets. In the combined income statements, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which the Ningbo Hailiang Group has control. The Ningbo Hailiang Group controls an entity when the Ningbo Hailiang Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Ningbo Hailiang Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Ningbo Hailiang Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Ningbo Hailiang Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Ningbo Hailiang Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Ningbo Hailiang Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Ningbo Hailiang Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Ningbo Hailiang Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Ningbo Hailiang Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.3 *Equity method and associates*

(a) *Equity method*

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Ningbo Hailiang Group's investments in an associate include goodwill identified on acquisitions. Upon the acquisitions of the ownership interests in an associate, any differences between the costs of the associate and the Ningbo Hailiang Group's share of the net fair value of the associate's identifiable assets and liabilities are accounted for as goodwill.

If the ownership interests in the associate are reduced but significant influence is retained, only a proportionate share of the amounts previous recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Ningbo Hailiang Group's share of post-acquisition profit or loss recognized in the consolidated statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Ningbo Hailiang Group's share of loss in the associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Ningbo Hailiang Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Ningbo Hailiang Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Ningbo Hailiang Group calculates the amount of impairment as the difference between the recoverable amounts of the associate and their carrying values are recognized the amounts adjacent to "share of loss of investments accounted for using equity method, net" in the combined income statements.

Profits and losses resulting from upstream and downstream transactions between the Ningbo Hailiang Group and its associate are recognised in the Ningbo Hailiang Group's combined financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Ningbo Hailiang Group.

Gains and losses on dilution of equity interests in the associate are recognised in the combined income statements.

(b) Associate

An associate is an entity over which the Ningbo Hailiang Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Ningbo Hailiang Group that makes strategic decisions.

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Ningbo Hailiang Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	4 years
Furniture, fitting and office equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.6 Intangible assets

Computer software

The computer softwares are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises mainly cost of land use rights, construction costs, borrowing costs, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

2.9 Financial assets

2.9.1 Classification

The Ningbo Hailiang Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise “trade and other receivables”, “amounts due from related parties”, “restricted cash” and “cash and cash equivalents” in the combined balance sheets (Note 2.15 and Note 2.16).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Ningbo Hailiang Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Ningbo Hailiang Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

The Ningbo Hailiang Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Ningbo Hailiang Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined income statement.

2.12 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Ningbo Hailiang Group uses the 'percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Ningbo Hailiang Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.13 Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.14 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Ningbo Hailiang Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets.

2.15 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the combined statement of cash flows.

2.17 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Ningbo Hailiang Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Ningbo Hailiang Group and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Ningbo Hailiang Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Ningbo Hailiang Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Ningbo Hailiang Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits*(a) Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Ningbo Hailiang Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Ningbo Hailiang Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Ningbo Hailiang Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Ningbo Hailiang Group in independently administrated funds managed by the PRC government.

The Ningbo Hailiang Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Provisions and contingent liabilities

Provisions are recognised when: the Ningbo Hailiang Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Ningbo Hailiang Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns, value added tax and after eliminating sales within the Ningbo Hailiang Group.

The Ningbo Hailiang Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Ningbo Hailiang Group's activities, as described below. The Ningbo Hailiang Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the combined balance sheets as "pre-sale proceeds received from customers" under current liabilities.

(b) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion (Note 2.12).

(c) Service income

Service income is recognised when the related services are rendered.

2.23 Financial guarantee liabilities

Financial guarantee contracts in the scope of *HKAS39 Financial Instrument: Recognition and Measurement* are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, Ningbo Hailiang Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Ningbo Hailiang Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Dividend distribution

Dividend distribution to the owners of Ningbo Hailiang is recognised as a liability in Ningbo Hailiang's financial statements in the period in which the dividends are approved by the owners of Ningbo Hailiang.

3 Financial risk management

3.1 Financial risk factor

Ningbo Hailiang Group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Ningbo Hailiang Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Ningbo Hailiang Group's financial performance.

(a) Market risk

(i) Interest rate risk

The Ningbo Hailiang Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Ningbo Hailiang Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Ningbo Hailiang Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Ningbo Hailiang Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2016 and 30 June 2017, long-term borrowings of the Ningbo Hailiang Group bearing floating interest rates amounted to approximately RMB70,000,000 and RMB170,000,000, respectively.

If interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the year/period would increase/decrease by RMB2,021,000 and RMB4,909,000, respectively, which have been capitalised in properties under development. As at 31 December 2014 and 2015, there were no long-term borrowings at floating rates.

(b) Credit risk

The Ningbo Hailiang Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalent (excluding cash on hand), restricted cash, trade and other receivable, amounts due from related parties and guarantees provided to third parties. The Ningbo Hailiang Group's exposure to credit risk arising from trade and other receivables and amounts due from related parties is set out in Note 16 and Note 28(d)(iii).

For cash in banks and financial institutions, only those with sound credit ratings are accepted.

For trade receivables arisen from sales of properties, the Ningbo Hailiang Group managed the credit risk by fully receiving cash or property arranging purchasers' mortgage loans financing procedures before delivery of properties. The Ningbo Hailiang Group closely monitors the collection of progress payments from customers in accordance with payment schedule as specified in the enforceable contracts. The Ningbo Hailiang Group has policies in place to ensure that sales are made to purchases with appropriate financial strength.

Meanwhile, the Ningbo Hailiang Group has the right to cancel the contracts once the payment from the customers is in default. It also has monitoring procedures to ensure that follow-up action is taken to recover overdue balances. The Ningbo Hailiang Group has no significant concentrations of credit risk, with exposure spread over a number of customers.

The Ningbo Hailiang Group has arranged bank financing for certain purchasers of the Ningbo Hailiang Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 26. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Ningbo Hailiang Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Ningbo Hailiang Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Ningbo Hailiang Group to the bank. In this regard, the directors of the Ningbo Hailiang consider that the Ningbo Hailiang Group's credit risk is significantly reduced.

Amounts due from related parties are companies owned by the same ultimate shareholder of the Ningbo Hailiang Group of which the possibility of bad debt is low. For other receivables and amounts due from joint ventures and associates, the Ningbo Hailiang Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors of Ningbo Hailiang thus consider that the risk of default by counter parties is low.

(c) *Liquidity risk*

Management of the Ningbo Hailiang Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders.

The table below sets out the Ningbo Hailiang Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Borrowings (Note (a))	370,641	630,207	—	—	1,000,848
Trade and other payables,	1,226,784	—	—	—	1,226,784
Amounts due to related parties (Note 28(d))	2,812,712	—	—	—	2,812,712
Financial guarantee (Note 26)	1,762,797	—	—	—	1,762,797
	<u>6,172,934</u>	<u>630,207</u>	<u>—</u>	<u>—</u>	<u>6,803,141</u>
At 31 December 2015					
Borrowings (Note (a))	3,349,031	1,602,808	—	—	4,951,839
Trade and other payables,	1,350,628	—	—	—	1,350,628
Amounts due to related parties (Note 28(d))	3,525,159	—	—	—	3,525,159
Financial guarantee (Note 26)	4,063,520	—	—	—	4,063,520
	<u>12,288,338</u>	<u>1,602,808</u>	<u>—</u>	<u>—</u>	<u>13,891,146</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings (Note (a))	1,272,957	1,294,154	507,559	—	3,074,670
Trade and other payables	1,765,077	—	—	—	1,765,077
Amounts due to related parties (Note 28(d))	2,175,244	—	—	—	2,175,244
Financial guarantee (Note 26)	6,036,760	—	—	—	6,036,760
	<u>11,250,038</u>	<u>1,294,154</u>	<u>507,559</u>	<u>—</u>	<u>13,051,751</u>
At 30 June 2017					
Borrowings (Note (a))	2,172,153	1,337,885	—	—	3,510,038
Trade and other payables	1,942,479	—	—	—	1,942,479
Amounts due to related parties (Note 28(d))	1,434,607	—	—	—	1,434,607
Financial guarantee (Note 26)	6,381,880	—	—	—	6,381,880
	<u>11,931,119</u>	<u>1,337,885</u>	<u>—</u>	<u>—</u>	<u>13,269,004</u>

Note:

- (a) Interests on borrowings were calculated on borrowings held as at 31 December 2014, 2015 and 2016 and 30 June 2017. Floating-rate interest was estimated using the current interest rate as at 31 December 2014, 2015 and 2016 and 30 June 2017.

3.2 Capital risk management

The Ningbo Hailiang Group's objectives when managing capital are to safeguard the Ningbo Hailiang Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Ningbo Hailiang Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Ningbo Hailiang Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital as shown in the combined balance sheets. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the combined balance sheets) and amounts due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries less total of cash and cash equivalents, and restricted cash.

APPENDIX II ACCOUNTANT'S REPORT OF NINGBO HAILIANG GROUP

The gearing ratios at 31 December 2014, 2015 and 2016, and 30 June 2017 were as follows:

	As at 31 December			As at June 30
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 22)	900,000	4,587,869	2,846,501	3,290,000
Amounts due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries (Note 28(d)(v))	2,307,320	2,979,407	1,349,822	372,798
Less: cash and cash equivalents (Note 19)	(223,688)	(721,089)	(1,053,598)	(1,217,272)
restricted cash (Note 18)	(86,290)	(115,772)	(148,299)	(279,515)
Net borrowings	2,897,342	6,730,415	2,994,426	2,166,011
Total equity	826,574	1,323,836	1,487,984	379,509
Total capital	<u>3,723,916</u>	<u>8,054,251</u>	<u>4,482,410</u>	<u>2,545,520</u>
Gearing ratio	<u>78%</u>	<u>84%</u>	<u>67%</u>	<u>85%</u>

3.3 Fair value estimation

The Ningbo Hailiang Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables and amounts due from related parties. The Ningbo Hailiang Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the Historical Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Ningbo Hailiang Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

Ningbo Hailiang Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the realisability of these properties and prepayments. Net realisable values for properties under development and prepayments for acquisition of land use rights are determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs

to completion (including land costs). Net realisable values for completed properties held for sale are determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

(b) Corporate income tax, land appreciation tax and deferred taxation

Ningbo Hailiang Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Ningbo Hailiang Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of Ningbo Hailiang Group's projects in the PRC. Ningbo Hailiang Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Ningbo Hailiang.

The Ningbo Hailiang Group principally engages in property development in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. The CODM considers that there is only one operating segment, which is used to make strategic decisions.

The major operating entities of the Ningbo Hailiang Group were domiciled in the Mainland China, and the Ningbo Hailiang Group's revenue for the Track Record Period were derived in the Mainland China.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, all of the non-current assets were located in the Mainland China.

There was no revenue derived from a single external customer accounting for 10% or more of the Ningbo Hailiang Group's revenue for the Track Record Period.

6 Revenue

Revenue of the Ningbo Hailiang Group for the Track Record Period were as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from sales of properties	1,022,229	3,412,081	5,192,207	1,406,489	1,534,024
Revenue from construction contracts (Note 17)	4,943	33,793	50,749	12,360	7,529
Service income (Note 28 (b))	37,170	31,465	27,484	16,502	1,887
	<u>1,064,342</u>	<u>3,477,339</u>	<u>5,270,440</u>	<u>1,435,351</u>	<u>1,543,440</u>

7 Expenses by nature

Key items of expenses included in cost of sales, selling and marketing costs and administrative expenses are mainly analysed as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of properties sold (excluding staff costs)	896,489	2,207,028	4,288,913	1,020,151	1,031,794
Staff costs (Note 8)	105,840	156,234	182,721	96,774	132,924
Advertising costs	60,085	43,514	62,905	27,560	28,689
Office and travelling expenses	22,255	16,145	14,951	4,505	9,277
Rental expenditure	5,425	4,428	8,396	5,771	2,374
Depreciation and amortisation	2,593	3,646	3,834	1,860	1,418
Business taxes and other taxes	5,544	4,983	13,436	11,623	852
Donations	262	10,120	330	10	250
Others	111,521	274,313	366,148	103,348	102,856
Total cost of sales, selling and marketing costs and administrative expenses	<u>1,210,014</u>	<u>2,720,411</u>	<u>4,941,634</u>	<u>1,271,602</u>	<u>1,310,434</u>

8 Staff costs

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	92,385	135,853	166,715	89,718	120,066
Pension costs					
— statutory pension	10,547	16,535	12,025	5,144	8,598
Other staff welfare and benefits	2,908	3,846	3,981	1,912	4,260
	<u>105,840</u>	<u>156,234</u>	<u>182,721</u>	<u>96,774</u>	<u>132,924</u>

9 Finance income — net

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
— Interest income from bank deposits	<u>1,716</u>	<u>2,379</u>	<u>4,410</u>	<u>1,912</u>	<u>3,497</u>
Finance cost					
—Interest expenses:					
Bank borrowings and other borrowings	(49,975)	(169,335)	(341,785)	(147,156)	(171,325)
Amounts due to the ultimate holding company of the Ningbo Hailiang Group and its subsidiaries (Note 28(d))	(314,663)	(215,307)	(326,897)	(185,637)	(85,258)
Less: interest capitalised	<u>364,638</u>	<u>384,642</u>	<u>668,682</u>	<u>332,793</u>	<u>256,583</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance income — net	<u>1,716</u>	<u>2,379</u>	<u>4,410</u>	<u>1,912</u>	<u>3,497</u>

10 Income tax expense

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax:					
PRC corporate income tax	68,893	165,071	137,887	84,789	93,173
PRC LAT	5,629	63,910	38,137	20,249	12,505
	74,522	228,981	176,024	105,038	105,678
Deferred income tax (Note 23):					
PRC corporate income tax	(49,380)	33,860	(7,441)	(20,340)	(21,198)
	25,142	262,841	168,583	84,698	84,480

The income tax on the profit before income tax of the Ningbo Hailiang Group differs from the theoretical amount that would arise using the enacted tax rate of the PRC of the Ningbo Hailiang Group entities as follows:

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit before income tax	(143,956)	755,103	326,131	162,478	232,514
Less: share of loss of associates reported net of tax	—	4,204	7,085	3,184	3,989
	(143,956)	759,307	333,216	165,662	236,503
Tax calculated at applicable corporate income tax rates	(35,989)	189,827	83,304	41,416	59,126
Effect of expenses not deductible for income tax	7,071	12,600	56,676	28,095	15,187
Tax losses for which no deferred income tax asset was recognised	49,838	12,482	—	—	788
LAT deductible for income tax purpose	(1,407)	(15,978)	(9,534)	(5,062)	(3,126)
PRC corporate income tax	19,513	198,931	130,446	64,449	71,975
LAT	5,629	63,910	38,137	20,249	12,505
	25,142	262,841	168,583	84,698	84,480

PRC corporate income tax

The income tax provision of the Ningbo Hailiang Group in respect of operations in the Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the Mainland China is 25%.

Pursuant to the Corporate Income Tax Law of the PRC (the “CIT Law”) and the Implementation Rules of the CIT Law, the CIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rate of the Ningbo Hailiang Group’s PRC entities was 25% during the Track Record Period.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Ningbo Hailiang Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

11 Dividends

On 25 May 2017, the cash dividend amounting to RMB1,250,000,000 was approved by the director of Ningbo Hailiang and paid during the six months ended 30 June 2017.

12 Property, plant and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and office equipment RMB'000	Total RMB'000
At 1 January 2014				
Cost	3,098	5,367	4,862	13,327
Accumulated depreciation	(804)	(853)	(1,398)	(3,055)
Net book amount	2,294	4,514	3,464	10,272
Year ended 31 December 2014				
Opening net book amount	2,294	4,514	3,464	10,272
Additions	—	853	3,110	3,963
Disposals	—	(299)	(9)	(308)
Depreciation charges	(147)	(367)	(1,181)	(1,695)
Closing net book amount	2,147	4,701	5,384	12,232
At 31 December 2014				
Cost	3,098	5,922	7,963	16,983
Accumulated depreciation	(951)	(1,221)	(2,579)	(4,751)
Net book amount	2,147	4,701	5,384	12,232
Year ended 31 December 2015				
Opening net book amount	2,147	4,701	5,384	12,232
Additions	—	49	908	957
Disposals	—	—	(17)	(17)
Depreciation charges	(147)	(744)	(1,667)	(2,558)
Closing net book amount	2,000	4,006	4,608	10,614
At 31 December 2015				
Cost	3,098	5,970	8,854	17,922
Accumulated depreciation	(1,098)	(1,964)	(4,246)	(7,308)
Net book amount	2,000	4,006	4,608	10,614
Year ended 31 December 2016				
Opening net book amount	2,000	4,006	4,608	10,614
Additions	—	116	320	436
Disposals	—	(55)	(12)	(67)
Depreciation charges	(147)	(713)	(1,710)	(2,570)
Closing net book amount	1,853	3,354	3,206	8,413

APPENDIX II ACCOUNTANT’S REPORT OF NINGBO HAILIANG GROUP

	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fitting and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2016				
Cost	3,098	6,031	9,162	18,291
Accumulated depreciation	<u>(1,245)</u>	<u>(2,677)</u>	<u>(5,956)</u>	<u>(9,878)</u>
Net book amount	<u>1,853</u>	<u>3,354</u>	<u>3,206</u>	<u>8,413</u>
Six months ended 30 June 2017				
Opening net book amount	1,853	3,354	3,206	8,413
Additions	—	—	142	142
Disposals	—	—	(147)	(147)
Depreciation charges	<u>(74)</u>	<u>(379)</u>	<u>(625)</u>	<u>(1,078)</u>
Closing net book amount	<u>1,779</u>	<u>2,975</u>	<u>2,576</u>	<u>7,330</u>
At 30 June 2017				
Cost	3,098	6,031	9,157	18,286
Accumulated depreciation	<u>(1,319)</u>	<u>(3,056)</u>	<u>(6,581)</u>	<u>(10,956)</u>
Net book amount	<u>1,779</u>	<u>2,975</u>	<u>2,576</u>	<u>7,330</u>
(Unaudited):				
Six months ended 30 June 2016				
Opening net book amount	2,000	4,006	4,608	10,614
Additions	—	64	124	188
Disposals	—	—	(6)	(6)
Depreciation charges	<u>(74)</u>	<u>(374)</u>	<u>(874)</u>	<u>(1,322)</u>
Closing net book amount	<u>1,926</u>	<u>3,696</u>	<u>3,852</u>	<u>9,474</u>
At 30 June 2016				
Cost	3,098	6,034	8,972	18,104
Accumulated depreciation	<u>(1,172)</u>	<u>(2,338)</u>	<u>(5,120)</u>	<u>(8,630)</u>
Net book amount	<u>1,926</u>	<u>3,696</u>	<u>3,852</u>	<u>9,474</u>

Depreciation charges were included in the following categories in the combined income statement:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Marketing and advertising costs	1,443	2,148	2,095	1,322	839
Administrative expenses	252	410	475	—	239
	<u>1,695</u>	<u>2,558</u>	<u>2,570</u>	<u>1,322</u>	<u>1,078</u>

13 Investments accounted for using the equity method

The amounts recognised in the combined balance sheets are as follows:

	31 December		30 June	
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in associates	<u>—</u>	<u>69,296</u>	<u>65,072</u>	<u>58,349</u>

The loss recognised in the combined income statement are as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Associates (Note (a))	<u>—</u>	<u>4,204</u>	<u>7,085</u>	<u>3,183</u>	<u>3,989</u>

(a) Associates

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At 1 January	—	—	69,296	69,296	65,072
Additions	—	73,500	4,800	—	—
Share of loss — net	—	(4,204)	(7,085)	(3,183)	(3,989)
Elimination of unrealised profits	—	—	(1,939)	—	(2,734)
At 31 December/ 30 June	—	69,296	65,072	66,113	58,349

During the Track Record Period, the Ningbo Hailiang Group invested in three associates, which were engaged in property development business.

14 Financial instruments by category

	31 December		30 June	
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Loans and receivables				
— Trade receivable and other receivables	104,579	148,911	268,776	224,558
— Amount due from customers for contract work	4,943	—	—	—
— Amounts due from related parties (Note 28(d))	945,436	1,878,083	2,497,584	1,479,451
— Restricted cash (Note 18)	86,290	115,772	148,299	279,515
— Cash and cash equivalents (Note 19)	223,688	721,089	1,053,598	1,217,272
	<u>1,364,936</u>	<u>2,863,855</u>	<u>3,968,257</u>	<u>3,200,796</u>
Financial liabilities:				
Liabilities at amortised cost				
— Trade and other payables	1,226,784	1,350,628	1,765,077	1,942,479
— Amounts due to related parties (Note 28(d))	2,812,712	3,525,159	2,175,244	1,434,607
— Borrowings (Note 22)	900,000	4,587,869	2,846,501	3,290,000
	<u>4,939,496</u>	<u>9,463,656</u>	<u>6,786,822</u>	<u>6,667,086</u>

15 Properties under development and completed properties held for sale

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development:				
— Construction costs	1,748,087	2,435,386	2,350,539	3,224,556
— Interests capitalised	496,559	643,387	961,028	1,198,448
— Land use rights	5,200,312	9,095,245	7,214,987	8,181,301
	<u>7,444,958</u>	<u>12,174,018</u>	<u>10,526,554</u>	<u>12,604,305</u>
Completed properties held for sale:				
— Construction costs	363,844	667,919	1,079,250	893,345
— Interests capitalised	6,994	46,885	141,233	117,881
— Land use rights	47,328	269,908	537,518	440,641
	<u>418,166</u>	<u>984,712</u>	<u>1,758,001</u>	<u>1,451,867</u>

Properties under development and completed properties held for sale of Ningbo Hailiang Group were all located in the PRC and expected to be completed and available for sale within one operating cycle.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, properties under development of approximately RMB992,000,000, RMB4,052,000,000, RMB3,433,015,000, and RMB3,352,225,000 respectively were pledged as collateral for Ningbo Hailiang Group's borrowings (Note 22).

The range of capitalisation rates of borrowings for the Track Record Period were 7.58% to 9.34%.

The completed properties held for sale were all located in the PRC.

16 Trade and other receivables and prepayments

	31 December		30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (Note (a))	—	—	90	—
Other receivables				
— Deposits for property construction (Note (b))	85,996	127,943	109,195	81,861
— Others (Note (c))	18,583	20,968	159,491	142,697
	<u>104,579</u>	<u>148,911</u>	<u>268,686</u>	<u>224,558</u>
Prepayments				
Third parties				
— Prepayments for acquisition of land use rights	269,205	162,835	57,200	459,292
— Prepaid value added tax, business taxes and other taxes	180,086	269,603	244,985	242,896
— Prepayments for construction contracts	54,940	24,962	53,680	76,045
— Others	5,694	5,992	4,044	3,928
Related parties				
— Prepaid construction cost to related parties (Note 28 (d)(i))	—	27,167	—	1,991
	<u>509,925</u>	<u>490,559</u>	<u>359,909</u>	<u>784,152</u>
Trade and other receivables and prepayments	<u>614,504</u>	<u>639,470</u>	<u>628,685</u>	<u>1,008,710</u>

- (a) The majority of the Ningbo Hailiang Group's sales are derived from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of related sales and purchase agreements. Generally, purchases of Properties are required to settle the balance within 90 days as specified in the sales and purchase agreements. Ageing analysis of the trade receivables based on the invoice dates when the trade receivables were recognised is as follows:

	31 December		30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	—	—	90	—

- (b) Deposits for property construction represented compulsory deposits required by local regulators for construction qualities.
- (c) These amounts compromised the bidding deposits for acquisition of land use rights.

(d) As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Ningbo Hailiang Group's trade and other receivables and prepayments were all denominated in RMB.

(e) As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Ningbo Hailiang Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. No material trade and other receivables were impaired.

17 Amounts due from/(to) customers for contract works

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracts in progress at the end of the year/period:				
Contract costs incurred plus recognised profits	4,943	38,736	89,485	97,014
Less: progress billings	—	(97,129)	(97,129)	(97,129)
	<u>4,943</u>	<u>(58,393)</u>	<u>(7,644)</u>	<u>(115)</u>

Amounts due from/(to) customers for contract works arise from Ningbo Hailiang Group's involvement in constructions of resettlement housing and land development projects.

According to the agreements of acquisition of land use rights entered into with local government, a company of Ningbo Hailiang Group was required to construct properties for the respective government. The consideration will be determined by the parties' negotiations primarily with reference to the cost incurred.

18 Restricted cash

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted cash from properties presale proceeds (Note (a))	<u>86,290</u>	<u>115,772</u>	<u>148,299</u>	<u>279,515</u>

The restricted cash as at 31 December 2014, 2015 and 2016 and 30 June 2017 was denominated in RMB.

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Ningbo Hailiang Group were required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

19 Cash and cash equivalents

	31 December		30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and on hand:				
— Denominated in RMB	<u>223,688</u>	<u>721,089</u>	<u>1,053,598</u>	<u>1,217,272</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20 Combined capital

Combined capital as at each balance sheet date represents the combined capital of the companies now comprising the Ningbo Hailiang Group after elimination of inter-company investments.

21 Other reserves
(a) *Capital reserves*

Capital reserves mainly represented accumulated capital contribution from the then shareholders of Ningbo Hailiang Group.

(b) *Statutory reserves*

In accordance with relevant rules and regulations in the PRC, when declaring dividend, Ningbo Hailiang’s subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

22 Borrowings

	31 December		30 June	
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings				
— secured (Note (a))	—	—	2,400,000	2,497,000
Other borrowings				
— secured (Note (b))	500,000	2,365,000	—	—
— unsecured	400,000	640,869	26,501	—
Less: amounts due within one year	(303,909)	(1,479,368)	(706,501)	(1,210,000)
	596,091	1,526,501	1,720,000	1,287,000
Borrowings included in current liabilities:				
Bank borrowings				
— secured (Note (a))	—	—	220,000	93,000
Other borrowings				
— secured (Note (b))	—	—	200,000	—
— unsecured	—	1,582,000	—	700,000
Current portion of long-term borrowings	303,909	1,479,368	706,501	1,210,000
	303,909	3,061,368	1,126,501	2,003,000
Total borrowings	900,000	4,587,869	2,846,501	3,290,000

(a) Bank borrowings — secured

As at 31 December 2016 and 30 June 2017, bank borrowings of RMB2,620,000,000 and RMB2,590,000,000 were secured by properties under development (Note 15), respectively, and were additionally guaranteed by certain related parties, respectively (Note 28 (b)). There were no such borrowings as at 31 December 2014 and 2015.

(b) Other borrowings — secured

As at 31 December 2014, 2015 and 2016, borrowings from other financial institutions of RMB500,000,000, RMB2,365,000,000, and RMB200,000,000 were secured by properties under development (Note 15). The secured other borrowings were additionally guaranteed by certain related parties. (Note 28 (b)).

APPENDIX II ACCOUNTANT'S REPORT OF NINGBO HAILIANG GROUP

- (c) The exposure of the Ningbo Hailiang Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2014	—	—	596,091	—	596,091
At 31 December 2015	—	—	1,526,501	—	1,526,501
At 31 December 2016	—	70,000	1,650,000	—	1,720,000
At 30 June 2017	—	170,000	1,117,000	—	1,287,000
Borrowings included in current liabilities:					
At 31 December 2014	168,909	135,000	—	—	303,909
At 31 December 2015	2,196,368	865,000	—	—	3,061,368
At 31 December 2016	676,501	450,000	—	—	1,126,501
At 30 June 2017	1,080,000	923,000	—	—	2,003,000

- (d) The carrying amounts of bank borrowings and other borrowings approximate their fair values as at 31 December 2014, 2015 and 2016 and 30 June 2017 as either the impact of discounting was not significant or the borrowings carry floating rates of interests.

- (e) The maturity of the borrowings were as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	303,909	3,061,368	1,126,501	2,003,000
1-2 years	596,091	1,526,501	1,220,000	1,287,000
2-5 years	—	—	500,000	—
	900,000	4,587,869	2,846,501	3,290,000

- (f) The effective interest rates of bank and other borrowings during the Track Record Periods are 8.13%, 6.78%, 6.22%, and 8.62%, respectively.

- (g) All of the Ningbo Hailiang Group's bank and other borrowings were denominated in RMB.

23 Deferred income tax

The analysis of deferred income tax assets are as follows:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:				
To be realised within 12 months	13,204	6,432	7,920	12,160
To be realised over 12 months	<u>52,816</u>	<u>25,728</u>	<u>31,681</u>	<u>48,639</u>
	<u>66,020</u>	<u>32,160</u>	<u>39,601</u>	<u>60,799</u>

The movement on the deferred income tax assets are as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At 1 January	16,640	66,020	32,160	32,160	39,601
Tax credit/(charged) to combined income statement (Note 10)	<u>49,380</u>	<u>(33,860)</u>	<u>7,441</u>	<u>20,340</u>	<u>21,198</u>
At 31 December/30 June	<u>66,020</u>	<u>32,160</u>	<u>39,601</u>	<u>52,500</u>	<u>60,799</u>

Deferred income tax assets are mainly recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2014, 2015 and 30 June 2017, Ningbo Hailiang Group did not recognise deferred income tax assets of RMB49,838,000, RMB12,481,000 and RMB788,000 in respect of losses amounting to RMB199,353,000, RMB49,923,000 and RMB3,153,000, respectively that can be carried forward for five-year against future taxable income.

24 Trade and other payables

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (Note (a))	939,136	1,127,833	1,448,772	1,572,631
— Third parties	917,137	1,037,778	1,242,942	1,373,021
— Related parties (Note 28 (d)(ii))	21,999	90,055	205,830	199,610
Notes payable	157,700	—	—	—
Other payables	132,001	222,795	316,369	369,854
— Deposits from contractors and suppliers	82,600	100,172	116,803	145,716
— Deposits from customers related to property ownership certificates	12,354	55,199	103,691	100,470
— Others	37,047	67,424	95,875	123,668
	<u>1,228,837</u>	<u>1,350,628</u>	<u>1,765,141</u>	<u>1,942,485</u>

- (a) The ageing analysis of trade payables as at 31 December 2014, 2015 and 2016 and 30 June 2017 based on invoice date is as follows:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	513,192	822,889	816,858	876,482
Over one year	<u>425,944</u>	<u>304,944</u>	<u>631,914</u>	<u>696,149</u>
	<u>939,136</u>	<u>1,127,833</u>	<u>1,448,772</u>	<u>1,572,631</u>

- (b) Trade and other payables as at 31 December 2014, 2015 and 2016 and 30 June 2017 were denominated in RMB.

25 Cash flow information

(a) Cash (used in)/generated from operations

Reconciliation of profit before income tax to cash (used in)/generated from operations is as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit before income tax	(143,956)	755,103	326,131	162,478	232,514
Adjustments for:					
Depreciation and amortisation (Note 7)	2,593	3,646	3,834	1,860	1,418
Share of loss of investments accounted for using the equity method — net	—	4,204	7,085	3,183	3,989
Finance income — net (Note 9)	(1,716)	(2,379)	(4,410)	(1,912)	(3,497)
Changes in working capital:					
Properties under construction and completed properties held for sale	(3,828,358)	(4,910,964)	1,544,796	(3,364,928)	(1,512,300)
Amounts due from customers for contract works	—	4,943	—	—	—
Restricted cash	(23,124)	(29,482)	(32,527)	32,855	(131,216)
Trade and other receivables and prepayments	(146,393)	(24,966)	10,785	(569,542)	(380,025)
Trade and other payables	976,933	121,791	414,513	311,046	177,344
Pre-sale proceeds received from customers	2,717,978	1,731,991	2,785,720	1,508,942	2,890,067
Amounts due to customers for contract works	35,212	58,393	(50,749)	(25,375)	(7,529)
Cash (used in)/generated from operation	<u>(410,831)</u>	<u>(2,287,720)</u>	<u>5,005,178</u>	<u>(1,941,393)</u>	<u>1,270,765</u>

(b) Net debt reconciliation

	31 December		30 June	
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	223,688	721,089	1,053,598	1,217,272
Less:				
— Borrowings (Note 22)	(900,000)	(4,587,869)	(2,846,501)	(3,290,000)
— Amounts due to the ultimate holding company of the Ningbo Hailiang Group and its subsidiaries (Note 28 (d)(v))	<u>(2,307,320)</u>	<u>(2,979,407)</u>	<u>(1,349,822)</u>	<u>(372,798)</u>
Net debt	<u>(2,983,632)</u>	<u>(6,846,187)</u>	<u>(3,142,725)</u>	<u>(2,445,526)</u>

	Other assets	Liabilities from financing activities	Amounts due to the ultimate holding company of the Ningbo Hailiang Group and its subsidiaries	Total
	Cash and cash equivalents <i>RMB'000</i>	Borrowings <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at 1 January 2014	108,121	(777,000)	(1,924,702)	(2,593,581)
Cash flows	115,567	(123,000)	(382,618)	(390,051)
Net debt as at 31 December 2014	223,688	(900,000)	(2,307,320)	(2,983,632)
Cash flows	497,401	(3,687,869)	(672,087)	(3,862,555)
Net debt as at 31 December 2015	721,089	(4,587,869)	(2,979,407)	(6,846,187)
Cash flows	332,509	1,741,368	1,629,585	3,703,462
Net debt as at 31 December 2016	1,053,598	(2,846,501)	(1,349,822)	(3,142,725)
Cash flows	163,674	(443,499)	977,024	697,199
Net debt as at 30 June 2017	1,217,272	(3,290,000)	(372,798)	(2,445,526)
(Unaudited)				
Net debt as at 1 January 2016	721,089	(4,587,869)	(2,979,407)	(6,846,187)
Cash flows	(127,414)	(978,714)	543,328	(562,800)
Net debt as at 30 June 2016	593,675	(5,566,583)	(2,436,079)	(7,408,987)

26 Financial guarantee contracts

The face value of the financial guarantees issued by the Ningbo Hailiang Group is analysed as below:

	2014 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	30 June 2017 <i>RMB'000</i>
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	1,762,797	4,063,520	6,036,760	6,381,880

- (a) Ningbo Hailiang Group has arranged bank financing for certain purchasers of Ningbo Hailiang Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Ningbo Hailiang Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Ningbo Hailiang Group is entitled to take over the legal title and possession of the related properties. Ningbo Hailiang Group's guarantee period starts from the dates of grant of the mortgages. The directors of Ningbo Hailiang consider that the likelihood of loss of Ningbo Hailiang Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

27 Commitments

(a) Commitments for property development expenditure

	31 December		30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:				
Properties development activities	2,863,832	1,492,427	2,513,399	2,034,998
Acquisition of land use rights	427,182	—	554,414	112,000
	<u>3,291,014</u>	<u>1,492,427</u>	<u>3,067,813</u>	<u>2,146,998</u>

(b) Operating leases commitments — the Ningbo Hailiang Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December		30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Not later than one year	1,978	1,888	1,718	1,695
Later than one year and not later than two years	1,888	1,718	1,625	1,323
Later than two years and not later than three years	<u>1,718</u>	<u>1,625</u>	<u>1,022</u>	<u>511</u>
	<u>5,584</u>	<u>5,231</u>	<u>4,365</u>	<u>3,529</u>

28 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Hailiang Group Co., Ltd., 海亮集團有限公司	The ultimate holding company of The Ningbo Hailiang Group
Yinchuan Shihai Real Estate Co., Ltd., 銀川世海房地產有限公司	Associate
Yinchuan Haimao Real Estate Co., Ltd., 銀川海茂房地產有限公司	Associate
Shannxi Hai He Real Estate Development Co., Ltd., 陝西海和房地產開發有限公司	Associate
Shaoxing Hailiang Properties Co., Ltd., 紹興海亮置業有限公司	Associate of a fellow subsidiary
Hengzhongda Construction Co., Ltd., 恒中達建築有限公司	Associate of a fellow subsidiary
Zhejiang Mingxuan Construction Engineering Co., Ltd., 浙江銘軒建築工程有限公司	Associate of a fellow subsidiary

(b) Transaction with related parties

During the Track Record Period, the Ningbo Hailiang Group had the following significant transactions with related parties:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Services provided to related parties:					
— The ultimate holding company of Ningbo Hailiang Group and its subsidiaries	34,940	30,220	26,541	15,747	—
— An associate of a fellow subsidiary	<u>2,230</u>	<u>1,245</u>	<u>943</u>	<u>755</u>	<u>1,887</u>
	<u>37,170</u>	<u>31,465</u>	<u>27,484</u>	<u>16,502</u>	<u>1,887</u>
Property management service provided by related parties:					
— Fellow subsidiaries	<u>5,076</u>	<u>13,659</u>	<u>11,109</u>	<u>4,410</u>	<u>2,343</u>
Construction services provided by related parties:					
— An associate of a fellow subsidiary	<u>186,426</u>	<u>446,060</u>	<u>494,875</u>	<u>349,624</u>	<u>140,595</u>

The directors of Ningbo Hailiang Group are of the opinion that the above related party transactions were conducted on normal commercial terms in the ordinary course of business and charged/paid with the terms of the underlying agreements.

Certain related parties have provided guarantees for Ningbo Hailiang Group's bank and other borrowings of RMB500,000,000, RMB2,365,000,000, RMB2,820,000,000 and RMB2,590,000,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively (Note 22).

(c) Key management compensation

The Ningbo Hailiang Group considered the directors of the Ningbo Hailiang Group as key management. During the Track Record Period, the Ningbo Hailiang Group has not borne the directors' emoluments, which have been borne by Hailiang Group.

(d) *Balances with related parties*

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to related parties				
(Note (i)):				
— Associate of a fellow subsidiary	—	27,167	—	1,991
Trade payables to related parties				
(Note (ii)):				
— Fellow subsidiaries	853	378	1,486	1,008
— Associates of a fellow subsidiary	21,146	89,677	204,344	198,602
	21,999	90,055	205,830	199,610
Amounts due from related parties				
(Note (iii)):				
— Associates	—	350,135	158,498	606,368
— The ultimate holding company of Ningbo Hailiang Group and its subsidiaries	945,426	1,527,868	2,334,798	869,350
— Associates of a fellow subsidiary	10	80	4,288	3,733
	945,436	1,878,083	2,497,584	1,479,451
Amounts due to related parties:				
(Note (iv)):				
— Associates (Note (iv))	—	24,501	49,000	127,400
— An associate of a fellow subsidiary (Note (iv))	10,588	10,503	12,138	11,714
— The ultimate holding company of Ningbo Hailiang Group and its subsidiaries				
— cash advances (Note iv)	494,804	510,748	764,284	922,695
— borrowings in nature (Note v)	2,307,320	2,979,407	1,349,822	372,798
	2,812,712	3,525,159	2,175,244	1,434,607

- (i) Prepayments to related parties mainly represented the amounts arising from property management services and construction services.

- (ii) Trade payables to related parties mainly represented the amounts arising from property management services and construction services. The outstanding amounts would be settled according to the underlying contracts.
- (iii) Amounts due from related parties represented the cash advances which were unsecured, interest free, and repayable on demand. The aging analysis of amounts due from related parties as at 31 December 2014, 2015 and 2016 and 30 June 2017 were analysed as below:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	661,436	1,601,049	2,220,550	1,325,489
6 months to one year	<u>284,000</u>	<u>277,034</u>	<u>277,034</u>	<u>153,962</u>
	<u>945,436</u>	<u>1,878,083</u>	<u>2,497,584</u>	<u>1,479,451</u>

- (iv) Amounts due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries, associates and an associate of a fellow subsidiary represented the cash advances which were unsecured, interest free, and repayable on demand.
- (v) Amounts due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries were borrowings in nature which were unsecured, repayable on demand and with interests ranging from 7.21% to 9.05%. Movements were is as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2016</i>	<i>2017</i>
				<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
At 1 January	2,028,837	2,307,320	2,979,407	2,979,407	1,349,822
Amounts received during year/period	6,734,940	6,455,224	2,516,319	1,197,056	3,378,780
Repayments during year/period	<u>(6,456,457)</u>	<u>(5,783,137)</u>	<u>(4,145,904)</u>	<u>(1,740,384)</u>	<u>(4,355,804)</u>
At 31 December/30 June	<u>2,307,320</u>	<u>2,979,407</u>	<u>1,349,822</u>	<u>2,436,079</u>	<u>372,798</u>

During the Track Record Period, interests arising from amounts due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries were RMB314,663,000, RMB215,307,000, RMB326,897,000 and RMB85,258,000, respectively. The interests incurred were fully paid as at 31 December 2014, 2015 and 2016, and 30 June 2017.

- (vi) As at 31 December 2014, 2015 and 2016 and 30 June 2017, all of the balances were denominated in RMB.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ningbo Hailiang Group or any of the companies now comprising Ningbo Hailiang Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Ningbo Hailiang or any of the other companies now comprising Ningbo Hailiang Group in respect of any period subsequent to 30 June 2017.

The following is the text of a report set out on pages III-1 to III-55, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RONSHINE CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of Anhui Hailiang Property Company Limited ("Anhui Hailiang") and the subsidiaries set out in Note 1 (b) of Section II below (together, "Anhui Hailiang Group"), which comprises the consolidated balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017, and the consolidated income statements, consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") set out on pages III-4 to III-13 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-14 to III-55 forms an integral part of this report, which has been prepared for inclusion in the circular of Ronshine China Holdings Limited (the "Company") dated 30 December 2017 (the "Circular") in connection with the acquisition of Anhui Hailiang Group by a subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 of Section II to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Anhui Hailiang Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of Anhui Hailiang Group for the Track Record Period. The directors of Anhui Hailiang are responsible for the preparation of the previously issued financial statements of Anhui Hailiang Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 of Section II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of Anhui Hailiang Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Anhui Hailiang Group which comprises the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report of Anhui Hailiang Group, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 of Section II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong,

30 December 2017

I HISTORICAL FINANCIAL INFORMATION OF ANHUI HAILIANG GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Consolidated income statements

		Year ended 31 December			Six months ended 30 June	
	Note	2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	1,935,217	5,712,872	5,276,357	2,786,840	1,101,666
Cost of sales	7	(1,686,463)	(4,571,101)	(4,618,588)	(2,499,670)	(913,633)
Gross profit		248,754	1,141,771	657,769	287,170	188,033
Selling and marketing cost	7	(97,448)	(89,725)	(80,083)	(37,936)	(41,779)
Administrative expenses	7	(76,941)	(73,755)	(55,419)	(33,091)	(14,440)
Operating profit		74,365	978,291	522,267	216,143	131,814
Finance income		2,212	4,755	4,309	1,555	2,791
Finance costs		—	—	—	—	—
Finance income — net	9	2,212	4,755	4,309	1,555	2,791
Profit before income tax		76,577	983,046	526,576	217,698	134,605
Income tax expense	10	(73,730)	(309,197)	(159,383)	(63,343)	(40,362)
Profit for the year/period		2,847	673,849	367,193	154,355	94,243

(b) Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period	2,847	673,849	367,193	154,355	94,243
Other comprehensive income	—	—	—	—	—
Total comprehensive income	<u>2,847</u>	<u>673,849</u>	<u>367,193</u>	<u>154,355</u>	<u>94,243</u>

(c) Consolidated balance sheets

	Note	31 December		30 June	
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	7,642	6,089	4,238	3,309
Intangible assets		1,134	949	762	669
Deferred income tax assets	21	<u>56,933</u>	<u>38,787</u>	<u>37,227</u>	<u>54,006</u>
		<u>65,709</u>	<u>45,825</u>	<u>42,227</u>	<u>57,984</u>
Current assets					
Properties under development	14	8,326,176	5,747,836	2,828,736	2,413,657
Completed properties held for sale	14	147,043	1,250,192	1,858,526	1,834,180
Trade and other receivables and prepayments	15	300,991	314,281	656,336	786,990
Amounts due from related parties	26(d)	1,116,554	780,254	1,556,570	1,611,705
Prepaid income taxation		72,427	63,708	96,704	182,516
Restricted cash	16	828,242	389,336	372,710	393,080
Cash and cash equivalents	17	<u>185,369</u>	<u>121,194</u>	<u>253,570</u>	<u>430,265</u>
		<u>10,976,802</u>	<u>8,666,801</u>	<u>7,623,152</u>	<u>7,652,393</u>
Total assets		<u>11,042,511</u>	<u>8,712,626</u>	<u>7,665,379</u>	<u>7,710,377</u>

		31 December		30 June	
	Note	2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Equity attributable to owners of Anhui Hailiang					
Share capital		162,500	162,500	162,500	162,500
Other reserves	18,19	450,252	774,101	1,141,294	685,537
Total equity		<u>612,752</u>	<u>936,601</u>	<u>1,303,794</u>	<u>848,037</u>
LIABILITIES					
Non-current liabilities					
Borrowings	20	400,620	150,000	200,000	140,000
Current liabilities					
Trade and other payables	22	1,021,484	1,307,292	2,040,691	1,730,952
Amounts due to related parties	26(d)	1,051,520	795,247	1,029,966	473,787
Pre-sale proceeds received from customers		6,565,165	4,730,597	2,843,343	3,976,751
Current income tax liabilities		8,400	92,269	177,585	181,850
Borrowings	20	1,382,570	700,620	70,000	359,000
		<u>10,029,139</u>	<u>7,626,025</u>	<u>6,161,585</u>	<u>6,722,340</u>
Total liabilities		<u>10,429,759</u>	<u>7,776,025</u>	<u>6,361,585</u>	<u>6,862,340</u>
Total equity and liabilities		<u>11,042,511</u>	<u>8,712,626</u>	<u>7,665,379</u>	<u>7,710,377</u>

(d) Consolidated statements of changes in equity

	Attributable to owners of Anhui Hailiang				
	Share capital	Capital reserves	Other reserves		Total equity
			Statutory reserves	Retained earnings	
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 18)</i>	<i>RMB'000</i> <i>(Note 19)</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended					
31 December 2014					
Balance at 1 January 2014	162,500	442,154	—	5,251	609,905
Comprehensive income					
— Profit for the year	—	—	—	2,847	2,847
— Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	2,847	2,847
Balance at 31 December 2014	162,500	442,154	—	8,098	612,752

	Note	Attributable to owners of Anhui Hailiang				Total equity RMB'000
		Share capital RMB'000	Capital reserves RMB'000 (Note 18)	Other reserves		
				Statutory reserves RMB'000 (Note 19)	Retained earnings RMB'000	
For the year ended 31 December 2015						
Balance at 1 January 2015		162,500	442,154	—	8,098	612,752
Comprehensive income						
— Profit for the year		—	—	—	673,849	673,849
— Other comprehensive income		—	—	—	—	—
Total comprehensive income						
		—	—	—	673,849	673,849
Transactions with owners in their capacities as owners						
— Dividends	11	—	—	—	(350,000)	(350,000)
Transfer to statutory reserves						
		—	—	38,240	(38,240)	—
Balance at 31 December 2015						
		162,500	442,154	38,240	293,707	936,601

	Attributable to owners of Anhui Hailiang				
	Share capital <i>RMB'000</i>	Capital reserves <i>RMB'000</i> <i>(Note 18)</i>	Other reserves		Total equity <i>RMB'000</i>
			Statutory reserves <i>RMB'000</i> <i>(Note 19)</i>	Retained earnings <i>RMB'000</i>	
For the year ended 31 December 2016					
Balance at 1 January 2016	<u>162,500</u>	<u>442,154</u>	<u>38,240</u>	<u>293,707</u>	<u>936,601</u>
Comprehensive income					
— Profit for the year	—	—	—	367,193	367,193
— Other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>367,193</u>	<u>367,193</u>
Transfer to statutory reserves	<u>—</u>	<u>—</u>	<u>2,910</u>	<u>(2,910)</u>	<u>—</u>
Balance at 31 December 2016	<u><u>162,500</u></u>	<u><u>442,154</u></u>	<u><u>41,150</u></u>	<u><u>657,990</u></u>	<u><u>1,303,794</u></u>

		Attributable to owners of Anhui Hailiang				
	Note		Other reserves			
		Share capital	Capital reserves	Statutory reserves	Retained earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	
			(Note 18)	(Note 19)		
					Total equity	
					RMB'000	
For the six months ended 30 June 2017						
Balance at 1 January 2017		162,500	442,154	41,150	657,990	1,303,794
Comprehensive income						
— Profit for the period		—	—	—	94,243	94,243
— Other comprehensive income		—	—	—	—	—
Total comprehensive income		—	—	—	94,243	94,243
Transactions with owners in their capacities as owners						
— Dividends	11	—	—	—	(550,000)	(550,000)
Transfer to statutory reserves		—	—	61,111	(61,111)	—
Balance at 30 June 2017		162,500	442,154	102,261	141,122	848,037

	Attributable to owners of Anhui Hailiang				
	Share capital <i>RMB'000</i>	Capital reserves <i>RMB'000</i> <i>(Note 18)</i>	Other reserves		Total equity <i>RMB'000</i>
			Statutory reserves <i>RMB'000</i> <i>(Note 19)</i>	Retained earnings <i>RMB'000</i>	
(Unaudited)					
For the six months ended					
30 June 2016					
Balance at 1 January 2016	162,500	442,154	38,240	293,707	936,601
Comprehensive income					
— Profit for the period	—	—	—	154,355	154,355
— Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	154,355	154,355
Transfer to statutory reserves	—	—	—	—	—
Balance at 30 June 2016	162,500	442,154	38,240	448,062	1,090,956

(e) Consolidated statements of cash flow

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Cash flows from operating activities						
Cash (used in)/generated from operations	23	(639,073)	1,658,446	1,441,026	(232,037)	1,269,268
PRC income tax paid		(242,209)	(198,463)	(105,503)	(82,936)	(138,688)
Net cash (used in)/generated from operating activities		<u>(881,282)</u>	<u>1,459,983</u>	<u>1,335,523</u>	<u>(314,973)</u>	<u>1,130,580</u>
Cash flows from investing activities						
Payments for purchase of property, plant and equipment and intangible assets		(3,597)	(365)	(15)	(3)	(62)
Proceeds from disposal of property, plant and equipment		75	743	5	—	473
Interest received		2,212	4,755	4,309	1,555	2,791
Cash advances to related parties		(1,399,815)	(3,727,686)	(5,998,944)	(2,992,723)	(5,422,317)
Repayments from related parties		<u>1,182,309</u>	<u>4,063,986</u>	<u>5,222,628</u>	<u>3,772,977</u>	<u>5,367,182</u>
Net cash (used in)/generated from investing activities		<u>(218,816)</u>	<u>341,433</u>	<u>(772,017)</u>	<u>781,806</u>	<u>(51,933)</u>

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Cash flows from						
financing activities						
Proceeds from borrowings		763,190	1,250,000	680,000	300,000	300,000
Repayments of borrowings		(290,000)	(2,182,570)	(1,260,620)	(450,000)	(71,000)
Amounts received from the ultimate holding company of Anhui Hailiang Group and its subsidiaries (Note 26(d)(v))		1,274,800	713,022	2,568,708	711,799	223,639
Repayments to the ultimate holding company of Anhui Hailiang Group and its subsidiaries (Note 26(d)(v))		(1,010,790)	(1,020,576)	(2,224,728)	(248,195)	(1,161,566)
Cash advances from other related parties		1,018,334	434,067	940,329	400,923	499,637
Repayments to other related parties		(630,531)	(382,786)	(1,049,590)	(605,839)	(117,889)
Interest paid		(177,722)	(326,748)	(85,229)	(51,365)	(24,773)
Dividends paid to owners of Anhui Hailiang		—	(350,000)	—	—	(550,000)
Net cash generated from/(used in) financing activities		<u>947,281</u>	<u>(1,865,591)</u>	<u>(431,130)</u>	<u>57,323</u>	<u>(901,952)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(152,817)</u>	<u>(64,175)</u>	<u>132,376</u>	<u>524,156</u>	<u>176,695</u>
Cash and cash equivalents at beginning of the year/period		<u>338,186</u>	<u>185,369</u>	<u>121,194</u>	<u>121,194</u>	<u>253,570</u>
Cash and cash equivalents at end of the year/period		<u><u>185,369</u></u>	<u><u>121,194</u></u>	<u><u>253,570</u></u>	<u><u>645,350</u></u>	<u><u>430,265</u></u>

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

(a) General information

Anhui Hailiang Property Company Limited (安徽海亮房地產有限公司) (“Anhui Hailiang”) is incorporated in the People’s Republic of China (the “PRC”) on 15 July 2009. The addresses of its registered offices are No. 304, Longmenling Road, Hefei, the PRC. Its principal activity is investment holding and property development. Anhui Hailiang and its subsidiaries (together, “Anhui Hailiang Group”) are private companies and principally engaged in property development in the PRC.

(b) Companies comprising Anhui Hailiang Group

Details of the subsidiaries comprising Anhui Hailiang Group, which are all incorporated in the PRC as at 31 December 2014, 2015 and 2016 and 30 June 2017 were as follows:

Name of company	Date of incorporation	Principal activities	Equity interest held as at			
			31 December		30 June	
			2014	2015	2016	2017
Subsidiaries:						
Bengbu Hai Liang Property Co., Ltd. 蚌埠海亮房地產有限公司	13 June 2012	Property development	100%	100%	100%	100%
Hefei Hailiang Investment Co., Ltd. 合肥海亮投資有限公司	12 October 2012	Property development	100%	100%	100%	100%
Fuyang Hailiang Property Development Co., Ltd. 阜陽海亮房地產有限公司	28 February 2013	Property development	100%	100%	100%	100%
Fuyang Hailiang Investment Co., Ltd. 阜陽海亮投資有限公司	26 March 2013	Property development	100%	100%	100%	100%
Bengbu Hailiang Investment Co., Ltd. 蚌埠海亮投資有限公司	14 November 2013	Property development	100%	100%	100%	100%
Lu'an Hai Liang Property Co., Ltd. 六安海亮房地產有限公司	13 December 2013	Property development	100%	100%	100%	100%

Name of company	Date of incorporation	Principal activities	Equity interest held as at			
			31 December		30 June	
			2014	2015	2016	2017
Fuyang Hailiang Fuhe Property Co., Ltd. 阜陽海亮阜合房地產有限公司	30 December 2013	Property development	100%	100%	100%	100%
Fuyang Hailiang Yingquan Property Co., Ltd. ("Yingquan") 阜陽海亮穎泉房地產有限公司(i)	16 January 2014	Property development	100%	100%	N/A	N/A
Fuyang Haikuo Yingdong Property Co., Ltd. 阜陽海關穎東置業有限公司	01 July 2016	Property development	N/A	N/A	100%	100%
Fuyang Rongxin Hailiang Property Co., Ltd. 阜陽融信海亮房地產有限公司	13 June 2017	Property development	N/A	N/A	N/A	100%

- (i) In December 2016, Anhui Hailiang disposed its then subsidiary Yingquan to a third party, without material gain or loss.
- (ii) All entities comprising Anhui Hailiang Group are limited liability companies and have adopted 31 December as their financial year end date.
- (iii) The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied in all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of Anhui Hailiang Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Anhui Hailiang Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(a) *New and amended standards not yet adopted*

The following new and amended standards and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by Anhui Hailiang Group:

		Effective for annual periods beginning on or after
HKAS 28 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKAS 40 (amendment)	Transfers of investment property	1 January 2018
HKFRS 1 (amendment)	Annual improvement 2014–2016 cycle	1 January 2018
HKFRS 2 (amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018 or when Anhui Hailiang Group first applies HKFRS 9
HKFRS 9	Financial instruments and associated amendments to various other standards	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendment)	Clarification to HKFRS 15	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant effect on the consolidated financial statements of Anhui Hailiang Group, except those set out in Note (i), (ii), and (iii).

(i) HKFRS 15, Revenue from contracts with customers

HKFRS 15, *Revenue from Contracts with Customers* is expected to be adopted by Anhui Hailiang Group for the financial year beginning on 1 January 2018. HKFRS 15 recognised revenue when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The underlying principal is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This is not the same as transfer of risks and rewards concept as currently

adopted by Anhui Hailiang Group according to HKAS 18, “Revenue”. Entities with transactions that involve variable considerations, selling multiple goods or services in a single arrangement, license arrangements or where the performance by an entity and payment by its customer might occur at significantly different times are expected to be significantly affected by the new revenue recognition principle of HKFRS 15. The directors of Anhui Hailiang are now assessing the impact of HKFRS 15 to Anhui Hailiang Group’s revenue recognition. It is not expected adoption of HKFRS 15 will lead to significant changes to Anhui Hailiang Group’s existing revenue recognition (Note 2.21).

- (ii) HKFRS 9, Financial instruments and associated amendments to various other standards

HKFRS 9, *Financial instruments* is expected to be adopted by Anhui Hailiang Group for the financial year beginning on 1 January 2018. The major changes to the existing policies adopted by the Group includes:

Changes on classification and measurement of financial assets and liabilities

HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

The directors of Anhui Hailiang do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on Anhui Hailiang Group’s existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.8), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

Changes on the impairment model

HKFRS 9 introduce a new, forward looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a “three stages” approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

The directors of Anhui Hailiang Group expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.10).

(iii) HKFRS 16, Leases

Anhui Hailiang Group is lessees of certain offices, which are currently classified as operating leases. Anhui Hailiang Group's current accounting policy for such leases, as set out in Note 2.11, is to record the operating lease expenses in Anhui Hailiang Group's consolidated statement for the current period with the disclosure of related operating lease commitments. As at 30 June 2017, Anhui Hailiang Group's total non-cancellable operating lease commitments amounted to RMB187,000 (Note 25). HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognize leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognized in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in Anhui Hailiang Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statements of comprehensive income, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

A subsidiary is an entity (including a structured entity) over which Anhui Hailiang Group has control. Anhui Hailiang Group controls an entity when Anhui Hailiang Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to Anhui Hailiang Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Anhui Hailiang Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Anhui Hailiang Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Anhui Hailiang Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by Anhui Hailiang Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to Anhui Hailiang Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When Anhui Hailiang Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Anhui Hailiang Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of Anhui Hailiang Group that makes strategic decisions.

2.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Anhui Hailiang Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	4 years
Furniture, fitting and office equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.5 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises mainly cost of land use rights, construction costs, borrowing costs, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

2.8 Financial assets

2.8.1 Classification

Anhui Hailiang Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise "trade and other receivables", "amounts due from related parties", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheets (Note 2.13 and Note 2.14).

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which Anhui Hailiang Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Anhui Hailiang Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

Anhui Hailiang Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Anhui Hailiang Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.12 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by Anhui Hailiang Group for development of properties. Land use rights held for development for sale are inventories and included in properties under development or completed properties held for sale and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets.

2.13 Trade and other receivables and amounts due from related parties

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and amounts due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables and amounts due to related parties

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless Anhui Hailiang Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Anhui Hailiang's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Anhui Hailiang Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally Anhui Hailiang Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives Anhui Hailiang Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits*(a) Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of Anhui Hailiang Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Anhui Hailiang Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Anhui Hailiang Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of Anhui Hailiang Group in independently administrated funds managed by the PRC government.

Anhui Hailiang Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Provisions and contingent liabilities

Provisions are recognised when: Anhui Hailiang Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Anhui Hailiang Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns, value added tax and after eliminating sales within Anhui Hailiang Group.

Anhui Hailiang Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of Anhui Hailiang Group's activities, as described below. Anhui Hailiang Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as "Pre-sale proceeds received from customers" under current liabilities.

2.22 Financial guarantee liabilities

Financial guarantee contracts in the scope of HKAS39 *Financial Instrument: Recognition and Measurement* are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, Anhui Hailiang Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, Anhui Hailiang Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Dividend distribution

Dividend distribution to the owners of Anhui Hailiang is recognised as a liability in Anhui Hailiang's financial statements in the period in which the dividends are approved by the owners of Anhui Hailiang.

3 Financial risk management

3.1 Financial risk factor

Anhui Hailiang Group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. Anhui Hailiang Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Anhui Hailiang Group's financial performance.

(a) Market risk

(i) Interest rate risk

Anhui Hailiang Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose Anhui Hailiang Group to fair value interest rate risk. Borrowings obtained at variable rates expose Anhui Hailiang Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

Anhui Hailiang Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 30 June 2017, long-term borrowings of Anhui Hailiang Group bearing floating interest rates amounted to approximately RMB140,000,000. If interest rates on borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest charges for the period would increase/decrease by RMB4,683,000, which have been capitalised in properties under development. As at 31 December 2014, 2015 and 2016, there is no long-term borrowings bearing floating rates.

(b) Credit risk

Anhui Hailiang Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalent (excluding cash on hand), restricted cash, trade and other receivable, amounts due from related parties, and guarantees provided to third parties. Anhui Hailiang Group's exposure to credit risk arising from trade and other receivables and amounts due from related parties is set out in Note 15 and 26(d)(iii).

For cash in banks and financial institutions, only those with sound credit ratings are accepted.

For trade receivables arisen from sales of properties, Anhui Hailiang Group managed the credit risk by fully receiving cash or property arranging purchasers' mortgage loans financing procedures before delivery of properties. Anhui Hailiang Group closely monitors the collection of progress payments from customers in accordance with payment schedule as specified in the enforceable contracts. Anhui Hailiang Group has policies in place to ensure that sales are made to purchases with appropriate financial strength.

Meanwhile, Anhui Hailiang Group has the right to cancel the contracts once the payment from the customers is in default. It also has monitoring procedures to ensure that follow-up action is taken to recover overdue balances. Anhui Hailiang Group has no significant concentrations of credit risk, with exposure spread over a number of customers.

Anhui Hailiang Group has arranged bank financing for certain purchasers of Anhui Hailiang Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 24. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand Anhui Hailiang Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, Anhui Hailiang Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by Anhui Hailiang Group to the bank. In this regard, the directors of Anhui Hailiang consider that Anhui Hailiang Group's credit risk is significantly reduced.

Amounts due from related parties are companies owned by the same ultimate shareholder of Anhui Hailiang Group of which the possibility of bad debt is low. For other receivables and amounts due from joint ventures and associates, Anhui Hailiang Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors of Anhui Hailiang thus consider that the risk of default by counter parties is low.

(c) Liquidity risk

Management of Anhui Hailiang Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders.

The table below sets out Anhui Hailiang Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2014					
Borrowings (Note a)	1,510,962	421,737	—	—	1,932,699
Trade and other payables	1,021,484	—	—	—	1,021,484
Amounts due to related parties (Note 26(d))	1,051,520	—	—	—	1,051,520
Financial guarantee (Note 24)	<u>2,939,155</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,939,155</u>
	<u>6,523,121</u>	<u>421,737</u>	<u>—</u>	<u>—</u>	<u>6,944,858</u>
At 31 December 2015					
Borrowings (Note a)	752,641	160,770	—	—	913,411
Trade and other payables	1,307,292	—	—	—	1,307,292
Amounts due to related parties (Note 26(d))	795,247	—	—	—	795,247
Financial guarantee (Note 24)	<u>3,196,035</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,196,035</u>
	<u>6,051,215</u>	<u>160,770</u>	<u>—</u>	<u>—</u>	<u>6,211,985</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings (Note a)	88,113	212,625	—	—	300,738
Trade and other payables	1,898,670	—	—	—	1,898,670
Amounts due to related parties (Note 26(d))	1,029,966	—	—	—	1,029,966
Financial guarantee (Note 24)	3,986,624	—	—	—	3,986,624
	<u>7,003,373</u>	<u>212,625</u>	<u>—</u>	<u>—</u>	<u>7,215,998</u>
At 30 June 2017					
Borrowings (Note a)	391,154	145,295	—	—	536,449
Trade and other payables	1,563,568	—	—	—	1,563,568
Amounts due to related parties (Note 26(d))	473,787	—	—	—	473,787
Financial guarantee (Note 24)	4,297,832	—	—	—	4,297,832
	<u>6,726,341</u>	<u>145,295</u>	<u>—</u>	<u>—</u>	<u>6,871,636</u>

- a. Interests on borrowings were calculated on borrowings held as at 31 December 2014, 2015 and 2016 and 30 June 2017. Floating-rate interest was estimated using the current interest rate as at 31 December 2014, 2015 and 2016 and 30 June 2017.

3.2 Capital risk management

Anhui Hailiang Group's objectives when managing capital are to safeguard Anhui Hailiang Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Anhui Hailiang Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

Anhui Hailiang Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital as shown in the consolidated balance sheets. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) and amount due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries less total of cash and cash equivalents, and restricted cash.

The gearing ratios at 31 December 2014, 2015 and 2016 and 30 June 2017 are as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 20)	1,783,190	850,620	270,000	499,000
Amounts due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries (Note 26(d)(v))	901,507	593,953	937,933	6
Less: cash and cash equivalents (Note 17)	(185,369)	(121,194)	(253,570)	(430,265)
restricted cash (Note 16)	<u>(828,242)</u>	<u>(389,336)</u>	<u>(372,710)</u>	<u>(393,080)</u>
Net borrowings	1,671,086	934,043	581,653	(324,339)
Total equity	<u>612,752</u>	<u>936,601</u>	<u>1,303,794</u>	<u>848,037</u>
Total capital	<u>2,283,838</u>	<u>1,870,644</u>	<u>1,885,447</u>	<u>523,698</u>
Gearing ratio	<u>73%</u>	<u>50%</u>	<u>31%</u>	<u>N/A</u>

No gearing ratio is presented as Anhui Hailiang had net cash surplus as at 30 June 2017.

3.3 Fair value estimation

Anhui Hailiang Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables and amounts due from related parties. Anhui Hailiang Group's financial liabilities include trade and other payables, amounts due to related parties and borrowings. The fair value for financial assets and liabilities with maturities of less than one year are assumed to approximate their carrying amounts due to their short term maturities.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the Historical Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Anhui Hailiang Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for properties under development, completed properties held for sale and prepayment for acquisition of land use rights

Anhui Hailiang Group assesses the carrying amounts of properties under development, completed properties held for sale and prepayments for acquisition of land use rights according to their net realisable values based on the realisability of these properties and prepayments. Net realisable values for properties under development and prepayments for acquisition of land use rights are determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable values for completed properties held for sale are determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

(b) Corporate income tax, land appreciation tax and deferred taxation

Anhui Hailiang Group is subject to corporate income tax and land appreciation tax ("LAT") in the PRC. Judgment is required in determining the provision for corporate income tax and LAT. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Anhui Hailiang Group has not finalised its corporate income tax and LAT calculations and payments with certain local tax authorities in charge of certain of Anhui Hailiang Group's projects in the PRC. Anhui Hailiang Group recognised the corporate income tax and LAT based on management's best estimates according to the interpretation of the applicable tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the corporate income tax and LAT provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of Anhui Hailiang.

Anhui Hailiang Group principally engages in property development in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. The CODM considers that there is only one operating segment, which is used to make strategic decisions.

The major operating entities of Anhui Hailiang Group are domiciled in the Mainland China, and Anhui Hailiang Group's revenue for the Track Record Period were derived in Mainland China.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, all of the non-current assets were located in Mainland China.

There was no revenue derived from a single external customer accounting for 10% or more of Anhui Hailiang Group's revenue for the Track Record Period.

6 Revenue

Revenue of Anhui Hailiang Group for the Track Record Period were as follows:

	Year ended 31 December			For the six months ended	
				30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from sales of properties	<u>1,935,217</u>	<u>5,712,872</u>	<u>5,276,357</u>	<u>2,786,840</u>	<u>1,101,666</u>

7 Expenses by nature

Key items of expenses included in cost of sales, selling and marketing costs and administrative expenses are mainly analysed as follows:

	Year ended 31 December			For the six months ended	
				30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of properties sold (excluding staff costs)	1,526,306	4,229,058	4,339,919	2,353,589	858,002
Staff costs (Note 8)	98,941	94,509	63,501	33,539	38,046
Advertising costs	30,746	24,943	24,083	11,409	13,434
Office and travelling expenses	13,741	9,085	6,049	2,280	2,525
Business taxes and other taxes	5,907	3,365	18,243	12,924	728
Rental expenditure	3,066	943	148	68	45
Depreciation and amortisation	1,604	1,360	2,048	926	611
Donations	105	200	—	—	3
Others	<u>180,436</u>	<u>371,118</u>	<u>300,099</u>	<u>155,962</u>	<u>56,458</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>1,860,852</u>	<u>4,734,581</u>	<u>4,754,090</u>	<u>2,570,697</u>	<u>969,852</u>

8 Staff costs

	Year ended 31 December			For the six months ended 30 June	
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Wages and salaries	83,578	80,427	55,902	29,762	34,801
Pension costs					
— statutory pension	10,872	10,612	5,919	2,920	2,348
Other staff welfare and benefits	4,491	3,470	1,680	857	897
	<u>98,941</u>	<u>94,509</u>	<u>63,501</u>	<u>33,539</u>	<u>38,046</u>

9 Finance income — net

	Year ended 31 December			For the six months ended 30 June	
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Finance income					
— Interest income from bank deposits	<u>2,212</u>	<u>4,755</u>	<u>4,309</u>	<u>1,555</u>	<u>2,791</u>
Finance costs					
— Interest expenses from					
— Borrowings	(165,722)	(209,323)	(73,633)	(46,288)	(18,400)
— Amounts due to ultimate holding company of Anhui Hailiang Group and its subsidiaries (Note 26(d)(v))	(12,000)	(117,425)	(11,596)	(5,077)	(6,373)
Less: interest capitalised	<u>177,722</u>	<u>326,748</u>	<u>85,229</u>	<u>51,365</u>	<u>24,773</u>
Finance costs total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance income — net	<u>2,212</u>	<u>4,755</u>	<u>4,309</u>	<u>1,555</u>	<u>2,791</u>

10 Income tax expense

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax:					
— PRC corporate income tax	47,722	222,039	146,155	46,331	59,080
— PRC LAT	34,106	69,012	11,668	6,165	(1,939)
	81,828	291,051	157,823	52,496	57,141
Deferred income tax					
— PRC corporate income tax (Note 21)	(8,098)	18,146	1,560	10,847	(16,779)
	73,730	309,197	159,383	63,343	40,362

The income tax on the profit before income tax of Anhui Hailiang Group differs from the theoretical amount that would arise using the enacted tax rate of the PRC of Anhui Hailiang Group entities as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	76,577	983,046	526,576	217,698	134,605
Tax calculated at applicable corporate income tax rates	19,144	245,762	131,644	54,425	33,651
Effect of expenses not deductible for income tax	2,568	8,620	5,407	2,702	3,282
Tax losses for which no deferred income tax asset was recognised	26,439	3,056	13,581	1,592	4,883
LAT deductible for income tax purpose	(8,527)	(17,253)	(2,917)	(1,541)	485
PRC corporate income tax	39,624	240,185	147,715	57,178	42,301
LAT	34,106	69,012	11,668	6,165	(1,939)
	73,730	309,197	159,383	63,343	40,362

PRC corporate income tax

The income tax provision of Anhui Hailiang Group in respect of operations in the Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in the Mainland China is 25%.

Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") and the Implementation Rules of the CIT Law, the CIT is unified at 25% for all types of entities, effective from 1 January 2008. The standard tax rates of Anhui Hailiang Group's PRC entities were 25% during the Track Record Period.

PRC LAT

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Anhui Hailiang Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

11 Dividends

- (a) On 10 February 2015 and 15 May 2015, dividend of RMB200,000,000 and RMB150,000,000 was declared by Anhui Hailiang to its then shareholder, respectively. Such dividend was paid in May 2015.
- (b) On 10 April 2017, dividend of RMB550,000,000 was declared by Anhui Hailiang to its then shareholder. Such dividend was paid in May 2017.

12 Property, plant and equipment

	Motor vehicles <i>RMB'000</i>	Furniture, fitting and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2014			
Cost	3,992	3,995	7,987
Accumulated depreciation	<u>(1,212)</u>	<u>(939)</u>	<u>(2,151)</u>
Net book amount	<u>2,780</u>	<u>3,056</u>	<u>5,836</u>
Year ended 31 December 2014			
Opening net book amount	2,780	3,056	5,836
Additions	781	2,534	3,315
Disposals	—	(75)	(75)
Depreciation charges	<u>(459)</u>	<u>(975)</u>	<u>(1,434)</u>
Closing net book amount	<u>3,102</u>	<u>4,540</u>	<u>7,642</u>
At 31 December 2014			
Cost	4,773	6,454	11,227
Accumulated depreciation	<u>(1,671)</u>	<u>(1,914)</u>	<u>(3,585)</u>
Net book amount	<u>3,102</u>	<u>4,540</u>	<u>7,642</u>
Year ended 31 December 2015			
Opening net book amount	3,102	4,540	7,642
Additions	—	365	365
Disposals	(663)	(80)	(743)
Depreciation charges	<u>(8)</u>	<u>(1,167)</u>	<u>(1,175)</u>
Closing net book amount	<u>2,431</u>	<u>3,658</u>	<u>6,089</u>
At 31 December 2015			
Cost	4,110	6,739	10,849
Accumulated depreciation	<u>(1,679)</u>	<u>(3,081)</u>	<u>(4,760)</u>
Net book amount	<u>2,431</u>	<u>3,658</u>	<u>6,089</u>

	Motor vehicles	Furniture, fitting and office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2016			
Opening net book amount	2,431	3,658	6,089
Additions	—	15	15
Disposals	—	(5)	(5)
Depreciation charges	(380)	(1,481)	(1,861)
Closing net book amount	2,051	2,187	4,238
At 31 December 2016			
Cost	4,110	6,476	10,586
Accumulated depreciation	(2,059)	(4,289)	(6,348)
Net book amount	2,051	2,187	4,238
Six months ended 30 June 2017			
Opening net book amount	2,051	2,187	4,238
Additions	—	62	62
Disposals	(412)	(61)	(473)
Depreciation charges	—	(518)	(518)
Closing net book amount	1,639	1,670	3,309
At 30 June 2017			
Cost	3,698	6,477	10,175
Accumulated depreciation	(2,059)	(4,807)	(6,866)
Net book amount	1,639	1,670	3,309
(Unaudited):			
Six months ended 30 June 2016			
Opening net book amount	2,431	3,658	6,089
Additions	—	3	3
Depreciation charges	(222)	(610)	(832)
Closing net book amount	2,209	3,051	5,260
At 30 June 2016			
Cost	4,110	6,742	10,852
Accumulated depreciation	(1,901)	(3,691)	(5,592)
Net book amount	2,209	3,051	5,260

Depreciation charges were included in the following categories in the consolidated income statement:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Marketing and advertising costs	1,105	733	1,407	575	304
Administrative expenses	329	442	454	257	214
	<u>1,434</u>	<u>1,175</u>	<u>1,861</u>	<u>832</u>	<u>518</u>

13 Financial instruments by category

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Loans and receivables				
— Trade and other receivables (Note 15)	125,192	177,449	562,438	543,434
— Amounts due from related parties (Note 26(d))	1,116,554	780,254	1,556,570	1,611,705
— Restricted cash (Note 16)	828,242	389,336	372,710	393,080
— Cash and cash equivalents (Note 17)	<u>185,369</u>	<u>121,194</u>	<u>253,570</u>	<u>430,265</u>
	<u>2,255,357</u>	<u>1,468,233</u>	<u>2,745,288</u>	<u>2,978,484</u>
Financial liabilities:				
Liabilities at amortised cost				
— Trade and other payables	1,021,484	1,307,292	1,898,670	1,563,568
— Amounts due to related parties (Note 26(d))	1,051,520	795,247	1,029,966	473,787
— Borrowings (Note 20)	<u>1,783,190</u>	<u>850,620</u>	<u>270,000</u>	<u>499,000</u>
	<u>3,856,194</u>	<u>2,953,159</u>	<u>3,198,636</u>	<u>2,536,355</u>

14 Properties under development and completed properties held for sale

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development:				
— Construction costs	3,513,389	2,595,967	1,040,911	950,531
— Interests capitalised	228,735	168,487	125,274	113,166
— Land use rights	4,584,052	2,983,382	1,662,551	1,349,960
	<u>8,326,176</u>	<u>5,747,836</u>	<u>2,828,736</u>	<u>2,413,657</u>
Completed properties held for sale:				
— Construction costs	76,394	632,558	860,158	842,998
— Interests capitalised	6,818	44,398	53,889	57,316
— Land use rights	63,831	573,236	944,479	933,866
	<u>147,043</u>	<u>1,250,192</u>	<u>1,858,526</u>	<u>1,834,180</u>

Properties under development and completed properties held for sale of Anhui Hailiang Group were all located in the PRC and expected to be completed and available for sale within one operating cycle.

Properties under development of approximately RMB3,054,134,000, RMB1,084,221,000, RMB926,223,000 and RMB1,055,169,000 respectively were pledged as collateral for Anhui Hailiang Group's borrowings as at 31 December 2014, 2015, 2016 and 30 June 2017 (Note 20).

The range of capitalisation rates of borrowings for the Track Record Period was from 7.99% to 9.09%.

15 Trade and other receivables and prepayments

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties:				
Prepayments				
— Prepaid construction cost to related parties (Note 26(d)(i))	—	11,875	500	3,500
Third parties:				
Trade receivables (Note (a))	—	825	592	1,129
Notes receivable	—	200	3,400	100
Other receivables	125,192	176,424	558,446	542,205
— Deposits for property construction (Note (b))	73,725	116,232	115,431	110,694
— Amounts due from Yingquan (Note (c))	—	—	344,479	379,641
— Others	51,467	60,192	98,536	51,870
Prepayments	175,799	124,957	93,398	240,056
— Prepayments for construction contracts	26,759	48,600	73,509	58,360
— Prepayments for acquisition of land use rights	—	—	16,620	180,000
— Prepaid business taxes and other taxes	146,173	73,693	—	—
— Others	2,867	2,664	3,269	1,696
Trade and other receivables and prepayments	<u>300,991</u>	<u>314,281</u>	<u>656,336</u>	<u>786,990</u>

- (a) The majority of Anhui Hailiang Group's sales are derived from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of related sales and purchase agreements. Generally, purchasers of properties are required to settle the balance within 90 days as specified in the sales and purchase agreements. Ageing analysis of the trade receivables based on the invoice dates when the trade receivables are recognised is as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	<u>—</u>	<u>825</u>	<u>592</u>	<u>1,129</u>

- (b) Deposits for property construction represented compulsory deposits required by local regulators for construction qualities.
- (c) Amounts due from/(to) Yingquan represented the cash advances which were unsecured, interest free, and repayable on demand. Yingquan was a subsidiary of Anhui Hailing before it was disposed to a third party on 19 December 2016.
- (d) As at 31 December 2014, 2015 and 2016 and 30 June 2017, Anhui Hailiang Group's trade and notes receivable and other receivables were all denominated in RMB.
- (e) As at 31 December 2014, 2015 and 2016 and 30 June 2017, Anhui Hailiang Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. No material trade and other receivables were impaired.

16 Restricted cash

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash from properties				
presale proceeds	828,242	389,336	264,710	343,080
Security for issuance of notes payable	—	—	108,000	50,000
	<u>828,242</u>	<u>389,336</u>	<u>372,710</u>	<u>393,080</u>

The restricted cash as at 31 December 2014, 2015 and 2016 and 30 June 2017 was denominated in RMB.

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Anhui Hailiang Group were required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

17 Cash and cash equivalents

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand:				
— Denominated in RMB	<u>185,369</u>	<u>121,194</u>	<u>253,570</u>	<u>430,265</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 Capital reserves

Capital reserves mainly represented accumulated capital contribution from the then shareholders of Anhui Hailiang Group.

19 Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, Anhui Hailiang's subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

20 Borrowings

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings included in non-current liabilities:				
Bank borrowings				
— secured (Note (a))	—	—	—	145,000
— unsecured	200,000	300,000	—	100,000
Other borrowings				
— secured (Note (b))	1,350,620	250,620	200,000	200,000
— unsecured	—	300,000	—	—
Less: amounts due within one year	(1,150,000)	(700,620)	—	(305,000)
	<u>400,620</u>	<u>150,000</u>	<u>200,000</u>	<u>140,000</u>
Borrowings included in current liabilities:				
Bank borrowings				
— secured (Note (a))	—	—	—	4,000
Other borrowings				
— secured (Note (b))	232,570	—	—	—
— unsecured	—	—	70,000	50,000
Current portion of long-term borrowings	<u>1,150,000</u>	<u>700,620</u>	<u>—</u>	<u>305,000</u>
	<u>1,382,570</u>	<u>700,620</u>	<u>70,000</u>	<u>359,000</u>
Total borrowings	<u>1,783,190</u>	<u>850,620</u>	<u>270,000</u>	<u>499,000</u>

(a) Bank borrowings — secured

As at 30 June 2017, bank borrowings of RMB149,000,000 were secured by properties under development (Note 14). The secured bank borrowings were additionally guaranteed by certain related parties (Note 26(b)). There is no secured bank borrowings of Anhui Hailiang Group as at 31 December 2014, 2015 and 2016.

(b) Other borrowings – secured

As at 31 December 2014, 2015 and 2016 and 30 June 2017, borrowings from other financial institutions of RMB1,583,190,000, RMB250,620,000, RMB200,000,000 and RMB200,000,000 were secured by properties under development (Note 14) and completed properties held for sale (Note 14). The secured other borrowings were additionally guaranteed by certain related parties (Note 26(b)).

(c) The exposure of Anhui Hailiang Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2014	—	250,620	150,000	—	400,620
At 31 December 2015	—	—	150,000	—	150,000
At 31 December 2016	—	—	200,000	—	200,000
At 30 June 2017	—	140,000	—	—	140,000

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in current liabilities:					
At 31 December 2014	482,570	900,000	—	—	1,382,570
At 31 December 2015	450,000	250,620	—	—	700,620
At 31 December 2016	70,000	—	—	—	70,000
At 30 June 2017	54,000	305,000	—	—	359,000

(d) The carrying amounts of bank borrowings and other borrowings approximate their fair values as at 31 December 2014, 2015 and 2016 and 30 June 2017 as either the impact of discounting was not significant or the borrowings carry floating rates of interests.

(e) The maturity of the borrowings were as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,382,570	700,620	70,000	359,000
1–2 years	400,620	150,000	200,000	140,000
2–5 years	—	—	—	—
Over 5 years	—	—	—	—
	<u>1,783,190</u>	<u>850,620</u>	<u>270,000</u>	<u>499,000</u>

(f) The effective interest rates of bank and other borrowings during the Track Record Period were 9.91%, 10.11%, 7.86% and 8.83%, respectively.

(g) All of Anhui Hailiang Group's bank and other borrowings were denominated in RMB.

21 Deferred income tax

The analysis of deferred income tax assets is as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
To be realised within 12 months	11,387	7,757	7,445	10,801
To be realised over 12 months	<u>45,546</u>	<u>31,030</u>	<u>29,782</u>	<u>43,205</u>
	<u>56,933</u>	<u>38,787</u>	<u>37,227</u>	<u>54,006</u>

The movement on the deferred income tax is as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	
	RMB'000	RMB'000	RMB'000	2016	2017
				RMB'000	RMB'000
				(Unaudited)	
At 1 January	48,835	56,933	38,787	38,787	37,227
Tax credit/(charged) to consolidated income statement (Note 10)	<u>8,098</u>	<u>(18,146)</u>	<u>(1,560)</u>	<u>(10,847)</u>	<u>16,779</u>
At 31 December/30 June	<u>56,933</u>	<u>38,787</u>	<u>37,227</u>	<u>27,940</u>	<u>54,006</u>

Deferred income tax assets are mainly recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2014, 2015 and 2016 and 30 June 2017, Anhui Hailiang did not recognise deferred income tax assets of RMB26,439,000, RMB3,056,000, RMB13,581,000 and RMB4,883,000 in respect of losses amounting to RMB105,756,000, RMB12,224,000, RMB54,325,000 and RMB19,532,000, respectively that can be carried forward for five-year against future taxable income.

22 Trade and other payables

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	896,690	1,135,585	1,272,699	1,005,324
— Third parties	891,084	1,129,746	1,265,626	998,569
— Related parties (Note (26)(d)(ii))	5,606	5,839	7,073	6,755
Notes payable	—	—	148,000	50,000
Other payables	124,794	171,707	619,992	675,628
— Deposits from contractors and suppliers	63,757	69,342	62,472	54,672
— Other taxes payable	—	—	142,021	167,384
— Amounts due to Yingquan (Note 15(b))	—	—	311,572	329,523
— Deposits from customers related to property ownership certificates	21,624	54,838	53,318	53,382
— Others	39,413	47,527	50,609	70,667
	<u>1,021,484</u>	<u>1,307,292</u>	<u>2,040,691</u>	<u>1,730,952</u>

- (a) The ageing analysis of trade payables as at 31 December 2014, 2015 and 2016 and 30 June 2017 based on invoice date were as follows:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	554,348	756,492	514,114	356,215
Over one year	<u>342,342</u>	<u>379,093</u>	<u>758,585</u>	<u>649,109</u>
	<u>896,690</u>	<u>1,135,585</u>	<u>1,272,699</u>	<u>1,005,324</u>

- (b) Trade and other payables as at 31 December 2014, 2015 and 2016 and 30 June 2017 were denominated in RMB.

23 Cash flow information**(a) Cash (used in)/generated from operations**

Reconciliation of profit before income tax to cash (used in)/generated from operations is as follows:

	Year ended 31 December			For the six months ended 30 June	
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (Unaudited)	2017 RMB'000
Profit before income tax	76,577	983,046	526,576	217,698	134,605
Adjustments for:					
Depreciation and amortisation (Note 7)	1,604	1,360	2,048	926	611
Finance income — net	(2,212)	(4,755)	(4,309)	(1,555)	(2,791)
Changes in working capital:					
Properties under construction and completed properties held for sale	1,070,430	1,801,939	2,395,995	854,614	464,198
Restricted cash	(299,504)	438,906	16,626	281,871	(20,370)
Trade and other receivables and prepayment	(109,891)	(13,290)	(342,055)	(154,104)	(130,654)
Trade and other payables	219,997	285,808	733,399	(167,027)	(309,739)
Pre-sale proceeds received from customers	<u>(1,596,074)</u>	<u>(1,834,568)</u>	<u>(1,887,254)</u>	<u>(1,264,460)</u>	<u>1,133,408</u>
Cash (used in)/ generated from operations	<u>(639,073)</u>	<u>1,658,446</u>	<u>1,441,026</u>	<u>(232,037)</u>	<u>1,269,268</u>

(b) Net debt reconciliation

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	185,369	121,194	253,570	430,265
Less:				
— Borrowings (Note 20)	(1,783,190)	(850,620)	(270,000)	(499,000)
— Amounts due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries (Note 26(d)(v))	<u>(901,507)</u>	<u>(593,953)</u>	<u>(937,933)</u>	<u>(6)</u>
Net debt	<u><u>(2,499,328)</u></u>	<u><u>(1,323,379)</u></u>	<u><u>(954,363)</u></u>	<u><u>(68,741)</u></u>

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowings	Amounts due to related parties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at 1 January 2014	338,186	(1,310,000)	(399,707)	(1,371,521)
Cash flows	<u>(152,817)</u>	<u>(473,190)</u>	<u>(501,800)</u>	<u>(1,127,807)</u>
Net debt as at 31 December 2014	<u><u>185,369</u></u>	<u><u>(1,783,190)</u></u>	<u><u>(901,507)</u></u>	<u><u>(2,499,328)</u></u>
Cash flows	<u>(64,175)</u>	<u>932,570</u>	<u>307,554</u>	<u>1,175,949</u>
Net debt as at 31 December 2015	<u><u>121,194</u></u>	<u><u>(850,620)</u></u>	<u><u>(593,953)</u></u>	<u><u>(1,323,379)</u></u>
Cash flows	<u>132,376</u>	<u>580,620</u>	<u>(343,980)</u>	<u>369,016</u>
Net debt as at 31 December 2016	<u><u>253,570</u></u>	<u><u>(270,000)</u></u>	<u><u>(937,933)</u></u>	<u><u>(954,363)</u></u>
Cash flows	<u>176,695</u>	<u>(229,000)</u>	<u>937,927</u>	<u>885,622</u>
Net debt as at 30 June 2017	<u><u>430,265</u></u>	<u><u>(499,000)</u></u>	<u><u>(6)</u></u>	<u><u>(68,741)</u></u>
(Unaudited)				
Net debt as at 1 January 2016	121,194	(850,620)	(593,953)	(1,323,379)
Cash flows	<u>524,156</u>	<u>150,000</u>	<u>(463,604)</u>	<u>210,552</u>
Net debt as at 30 June 2016	<u><u>645,350</u></u>	<u><u>(700,620)</u></u>	<u><u>(1,057,557)</u></u>	<u><u>(1,112,827)</u></u>

24 Financial guarantee contracts

The face value of the financial guarantees issued by Anhui Hailiang Group is analysed as below:

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee in respect of mortgage facilities for certain purchasers (Note (a))	<u>2,939,155</u>	<u>3,196,035</u>	<u>3,986,624</u>	<u>4,297,832</u>

- (a) Anhui Hailiang Group has arranged bank financing for certain purchasers of Anhui Hailiang Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Anhui Hailiang Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Anhui Hailiang Group is entitled to take over the legal title and possession of the related properties. Anhui Hailiang Group's guarantee period starts from the dates of grant of the mortgages. The directors of Anhui Hailiang consider that the likelihood of loss of Anhui Hailiang Group resulting from the default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

25 Commitments**(a) Commitments for property development expenditure**

	31 December			30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:				
Properties development activities	5,316,258	2,273,329	2,039,374	1,031,813
Acquisition of land use rights	<u>285,000</u>	<u>179,240</u>	<u>—</u>	<u>—</u>
	<u>5,601,258</u>	<u>2,452,569</u>	<u>2,039,374</u>	<u>1,031,813</u>

(b) Operating leases commitments — Anhui Hailiang Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December		30 June
	2014	2015	2016
	2017		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Not later than one year	1,264	3	370
Later than one year and not later than two years	3	370	—
Later than two years and not later than three years	370	—	—
	<u>1,637</u>	<u>373</u>	<u>370</u>
	<u>187</u>		

26 Related party transactions*(a) Name and relationship with related parties*

Name	Relationship
Hailiang Group Co., Ltd. (“Hailiang Group”) 海亮集團有限公司	The ultimate holding company of Anhui Hailiang Group
Hefei Hailiang Property Co., Ltd. 合肥海亮置業有限公司	Joint venture of a fellow subsidiary
Zhejiang Mingxuan Construction Engineering Co., Ltd. 浙江銘軒建築工程有限公司	Associate of a fellow subsidiary
Hengzhongda Construction Co., Ltd. 恒中達建築有限公司	Associate of a fellow subsidiary
Zhejiang Wanxin Automation Technology Co., Ltd. 浙江萬鑫自控科技有限公司	A company holding by key management personnel

(b) Transaction with related parties

During the Track Record Period, Anhui Hailiang Group had the following significant transactions with related parties:

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Properties sold to related parties:					
— A fellow subsidiary	—	4,700	—	—	—
Property management service provided by related parties:					
— Fellow subsidiaries	7,790	7,391	8,377	3,542	2,242
Construction services provided by related parties:					
— An associate of a fellow subsidiary	—	—	126,399	71,107	1,631
— A company holding by key management personnel	1,830	1,000	4,000	—	—
	1,830	1,000	130,399	71,107	1,631
Consultation services provided by related parties:					
— A fellow subsidiary	10,400	9,000	15,624	7,717	—

The directors of Anhui Hailiang were of the opinion that the above related party transactions were conducted on normal commercial terms in the ordinary course of business and charged/paid with the terms of the underlying agreements.

Certain related parties have provided guarantees for Anhui Hailiang Group's bank and other borrowings of RMB1,583,190,000, RMB250,620,000, RMB200,000,000 and RMB200,000,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively (Note 20).

(c) Key management compensation

Anhui Hailiang Group considered the directors as key management. Compensation to key management did not been borne by the Hailiang Group; Anhui Hailiang Group did not been borne the director's emoluments for the year/period.

(d) Balances with related parties

	2014 RMB'000	31 December 2015 RMB'000	2016 RMB'000	30 June 2017 RMB'000
Prepayments to related parties				
(Note (i)):				
— Fellow subsidiaries	—	—	500	3,500
— An associate of a fellow subsidiary	—	11,875	—	—
	—	11,875	500	3,500
Trade payables to related parties				
(Note (ii)):				
— Fellow subsidiaries	—	233	1,467	1,149
— An associate of a fellow subsidiary	5,606	5,606	5,606	5,606
	5,606	5,839	7,073	6,755
Amounts due from related parties				
(Note (iii)):				
— A joint venture of a fellow subsidiary	—	—	220	3,469
— The ultimate holding company of Anhui Hailiang Group and its subsidiaries	1,047,609	652,017	1,540,405	1,591,521
— A company held by key management personnel	68,945	128,237	15,945	16,715
	1,116,554	780,254	1,556,570	1,611,705
Amounts due to related parties:				
— A joint venture of a fellow subsidiary (Note (iv))	—	—	3	14
— The ultimate holding company of Anhui Hailiang Group and its subsidiaries				
— cash advances (Note iv)	13	200,039	79,675	461,412
— borrowings in nature (Note v)	901,507	593,953	937,933	6
— A company held by key management personnel (Note (iv))	—	80	12,355	12,355
— Associates of fellow subsidiaries (Note (iv))	150,000	1,175	—	—
	1,051,520	795,247	1,029,966	473,787

- (i) Prepayments to related parties mainly represented the amounts arising from property management services and construction services.
- (ii) Trade payables to related parties mainly represented the amounts arising from property management services and construction services. The outstanding amounts would be settled according to the underlying contracts.
- (iii) Amounts due from related parties mainly represented the cash advances which were unsecured, interest free, and repayable on demand. The aging analysis of amounts due from related parties as at 31 December 2014, 2015 and 2016 and 30 June 2017 were analysed as below:

	31 December			30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	980,552	647,404	1,412,981	1,095,966
6 months to one year	<u>136,002</u>	<u>132,850</u>	<u>143,589</u>	<u>515,739</u>
	<u>1,116,554</u>	<u>780,254</u>	<u>1,556,570</u>	<u>1,611,705</u>

- (iv) Amounts due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries, a joint venture of a fellow subsidiary, a company held by key management personnel and associates of fellow subsidiaries represented the cash advances which were unsecured, interest free, and repayable on demand.
- (v) Amounts due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries were borrowings in nature which were unsecured, repayable on demand and with interests ranging from 7.34% to 8.82%. Movements were as follows:

	Year ended 31 December			For the six months ended	
	2014	2015	2016	30 June	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At 1 January	637,497	901,507	593,953	593,953	937,933
Amounts received during year/period	1,274,800	713,022	2,568,708	711,799	223,639
Repayments during year/period	<u>(1,010,790)</u>	<u>(1,020,576)</u>	<u>(2,224,728)</u>	<u>(248,195)</u>	<u>(1,161,566)</u>
At 31 December/30 June	<u>901,507</u>	<u>593,953</u>	<u>937,933</u>	<u>1,057,557</u>	<u>6</u>

During the Track Record Period, interests arising from amounts due to the ultimate holding company of Anhui Hailiang Group and its subsidiaries were RMB12,000,000, RMB117,425,000, RMB11,596,000 and RMB6,373,000, respectively. The interests incurred were fully paid as at 31 December 2014, 2015 and 2016, and 30 June 2017.

- (vi) As at 31 December 2014, 2015 and 2016, and 30 June 2017, all of the balances were denominated in RMB.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Anhui Hailiang Group or any of the companies now comprising Anhui Hailiang Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Anhui Hailiang or any of the other companies now comprising Anhui Hailiang Group in respect of any period subsequent to 30 June 2017.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 (the “Unaudited Pro Forma Financial Information”) which has been prepared based on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisitions of the relevant equity interests of Ningbo Hailiang Property Investment Company Limited (“Ningbo Hailiang”) and Anhui Hailiang Property Company Limited (“Anhui Hailiang”) (the “Transactions”) as if the Transactions had been taken place on 30 June 2017. Ningbo Hailiang and Anhui Hailiang are collectively referred to as the “Target Companies”. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transactions been completed as at 30 June 2017 or at any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Unaudited interim condensed consolidated statement of assets and liabilities of the Group as at 30 June 2017 (Note 1) RMB'000	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 RMB'000
		Statement of assets and liabilities of Ningbo Hailiang as at 30 June 2017 (Note 2) RMB'000	Statement of assets and liabilities of Anhui Hailiang as at 30 June 2017 (Note 3) RMB'000	(Note 4) RMB'000	(Note 5) RMB'000	
Assets						
Non-current assets						
Property, plant and equipment	1,370,351	7,330	3,309	1,001	—	1,381,991
Land use rights	471,976	—	—	—	—	471,976
Investment properties	5,834,086	—	—	—	—	5,834,086
Prepayments	3,167,915	—	—	—	—	3,167,915
Intangible assets	5,069	1,912	669	—	—	7,650
Investments accounted for using the equity method	4,463,857	58,349	—	474,055	—	4,996,261
Deferred income tax assets	217,680	60,799	54,006	—	—	332,485
	<u>15,530,934</u>	<u>128,390</u>	<u>57,984</u>	<u>475,056</u>	<u>—</u>	<u>16,192,364</u>

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Unaudited interim condensed consolidated statement of assets and liabilities of the Group as at 30 June 2017 <i>(Note 1)</i> <i>RMB'000</i>	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 <i>RMB'000</i>
		Statement of assets and liabilities of Ningbo Hailiang as at 30 June 2017 <i>(Note 2)</i> <i>RMB'000</i>	Statement of assets and liabilities of Anhui Hailiang as at 30 June 2017 <i>(Note 3)</i> <i>RMB'000</i>	<i>(Note 4)</i> <i>RMB'000</i>	<i>(Note 5)</i> <i>RMB'000</i>	
Current assets						
Properties under development (the “PUD”)	49,025,812	12,604,305	2,413,657	5,180,268	—	69,224,042
Completed properties held for sale (the “PHS”)	11,025,992	1,451,867	1,834,180	346,493	—	14,658,532
Trade and other receivables and prepayments	25,987,181	1,008,710	786,990	—	—	27,782,881
Amounts due from joint ventures	3,390,715	1,479,451	1,611,705	—	—	6,481,871
Amounts due from customers for contract works	1,629,979	—	—	—	—	1,629,979
Prepaid taxation	994,899	304,118	182,516	—	—	1,481,533
Available-for-sale financial assets	21,333	—	—	—	—	21,333
Term deposits	3,422,471	—	—	—	—	3,422,471
Restricted cash	1,143,406	279,515	393,080	—	—	1,816,001
Cash and cash equivalents	6,445,664	1,217,272	430,265	(2,896,524)	(7,000)	5,189,677
	<u>103,087,452</u>	<u>18,345,238</u>	<u>7,652,393</u>	<u>2,630,237</u>	<u>(7,000)</u>	<u>131,708,320</u>
Total assets	<u>118,618,386</u>	<u>18,473,628</u>	<u>7,710,377</u>	<u>3,105,293</u>	<u>(7,000)</u>	<u>147,900,684</u>
Liabilities						
Non-current liabilities						
Borrowings	39,464,183	1,287,000	140,000	—	—	40,891,183
Deferred income tax liabilities	1,585,656	—	—	1,500,454	—	3,086,110
	<u>41,049,839</u>	<u>1,287,000</u>	<u>140,000</u>	<u>1,500,454</u>	<u>—</u>	<u>43,977,293</u>
Current liabilities						
Trade and other payables	15,071,945	1,942,485	1,730,952	—	—	18,745,382
Amounts due to related parties	56,041	1,434,607	473,787	—	—	1,964,435
Pre-sale proceeds received from customers	17,384,874	11,426,912	3,976,751	—	—	32,788,537
Current income tax liabilities	1,546,414	—	181,850	—	—	1,728,264
Borrowings	18,883,281	2,003,000	359,000	—	—	21,245,281
Amounts due to customers for contract works	—	115	—	—	—	115
	<u>52,942,555</u>	<u>16,807,119</u>	<u>6,722,340</u>	<u>—</u>	<u>—</u>	<u>76,472,014</u>
Total liabilities	<u>93,992,394</u>	<u>18,094,119</u>	<u>6,862,340</u>	<u>1,500,454</u>	<u>—</u>	<u>120,449,307</u>
Net assets	24,625,992	379,509	848,037	1,604,839	(7,000)	27,451,377

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The unaudited interim condensed consolidated statement of assets and liabilities of the Group is extracted from the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2017 as set out in the Group's published interim report for the six months ended 30 June 2017.
2. The audited combined statement of assets and liabilities of Ningbo Hailiang is extracted from the audited combined balance sheet of Ningbo Hailiang as at 30 June 2017 as set out in the accountant's report of Ningbo Hailiang included in Appendix II to this circular.
3. The audited consolidated statement of assets and liabilities of Anhui Hailiang are extracted from the audited consolidated balance sheet of Anhui Hailiang as at 30 June 2017 as set out in the accountant's report of Anhui Hailiang included in Appendix III to this circular.
4. Pursuant to the sale and purchase agreements dated 27 July 2017, the Group acquired 55% equity interest in each of Ningbo Hailiang and Anhui Hailiang, respectively, at a cash consideration of RMB2,896,524,000 in total. Upon the completion of the Transactions, Ningbo Hailiang and its subsidiaries and associates will become subsidiaries and associates of the Company, and Anhui Hailiang and its subsidiaries will become subsidiaries of the Company. The identifiable assets and liabilities of the Target Companies will be accounted for at their fair values using the acquisition accounting method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the net identifiable assets of the Target Companies to be approximately RMB7,229,363,000 as at 30 June 2017, based on two separate valuation reports prepared by the independent valuer.

The excess of the consideration over the fair value of the acquired net identifiable assets is recognised as goodwill, which is calculated as follows:

	<i>RMB'000</i>
Total cash consideration	2,896,524
Less: Fair value of identifiable assets and liabilities	(2,925,577)
<i>Including:</i>	
<i>Carrying amount of net assets of the Target Companies</i>	1,227,546
<i>Carrying amount attributable to non-controlling interests</i>	(10,180)
<i>Valuation adjustments on the identifiable assets and liabilities</i>	
• <i>PUD</i>	5,180,268
• <i>PHS</i>	346,493
• <i>Investments accounted for using the equity method</i>	474,055
• <i>Property, plant and equipment</i>	1,001
<i>Less: Deferred income tax liabilities</i>	(1,500,454)
<i>Valuation adjustments attributable to non-controlling interests</i>	(399,498)

5. The adjustment represents the estimated transaction costs of approximately RMB7,000,000, which include mainly professional fees payable by the Group in connection with the Transactions.
6. No adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group and Target Companies entered subsequent to 30 June 2017.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Ronshine China Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ronshine China Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and Ningbo Hailiang Property Investment Company Limited and Anhui Hailiang Property Company Limited (the "Target Companies") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-3 of the Company's circular dated 30 December 2017, in connection with the proposed acquisition of the relevant equity interest of the Target Companies (the "Transactions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2017 as if the Transactions had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 30 June 2017, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited 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 plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the unaudited 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 Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 December 2017

This Appendix summarises the business and financial results and other financial information of each of Ningbo Hailiang and Anhui Hailiang for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

BUSINESS AND FINANCIAL RESULTS OF NINGBO HAILIANG

Ningbo Hailiang is a limited liability company established in the PRC principally engaged in real estate project investment and wholesales and retail sales of building materials (except bamboo).

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the real estate property projects of the subsidiaries, associated companies and joint ventures of Ningbo Hailiang were mainly located in Suzhou, Nantong, Bengbu, Hefei, Zhengzhou, Xi'an, Lanzhou, Yinchuan, Xining and Ganzhou of the PRC, with an aggregate land areas of approximately 2,727,436 square meters, of which approximately 5,033,652 gross floor areas of the land are expected to be developed into residential buildings, while the remaining approximately 1,583,704 gross floor areas of the land are expected to be developed into business facilities.

Revenue and gross profit

Revenue and gross profit of Ningbo Hailiang for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,064,342	3,477,339	5,270,440	1,435,351	1,543,440
Gross profit	76,013	993,156	613,012	306,801	368,957

The revenue of Ningbo Hailiang is mainly derived from (i) sale of properties and (ii) construction contracts in the PRC. Ningbo Hailiang has one operating and reportable segment during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, being the property development in the PRC.

Revenue of Ningbo Hailiang increased by approximately 226.71% from RMB1,064.3 million for the year ended 31 December 2014 to RMB3,477.3 million for the year ended 31 December 2015, which was further increased by approximately 51.57% to RMB5,270.4 million for the year ended 31 December 2016. Also, the revenue of Ningbo Hailiang was increased by approximately 7.53% from RMB1,435.4 million for the six months ended 30 June 2016 to RMB1,543.4 million for the six months ended 30 June 2017. All these increases were mainly attributable to the increase in the total gross floor area of properties delivered over the years/periods.

Cost of sales

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	(988,329)	(2,484,183)	(4,657,428)	(1,128,550)	(1,174,483)

The cost of sales of Ningbo Hailiang for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 comprised the costs incurred in relation to direct development activities for the properties delivered, such as land use rights costs, construction costs, capitalized costs and business tax.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the cost of sales of the Group amounted to RMB988.3 million, RMB2,484.2 million, RMB4,657.4 million, RMB1,128.6 million and RMB1,174.5 million, respectively.

Administrative expenses, selling and marketing cost and income tax

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	(105,249)	(120,333)	(120,624)	(72,650)	(63,482)
Selling and marketing cost	(116,436)	(115,895)	(163,582)	(70,402)	(72,469)
Income tax expenses	(25,142)	(262,841)	(168,583)	(84,698)	(84,480)

Administrative expenses

The administrative expenses of Ningbo Hailiang mainly include staff costs, office and travelling expenses, rental fee and others.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Ningbo Hailiang had an administrative expense of RMB105.2 million, RMB120.3 million, RMB120.6 million, RMB72.7 million and RMB63.5 million, respectively.

Selling and marketing cost

The selling and marketing costs of Ningbo Hailiang during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 comprised primarily the staff costs, advertisement expenses and other miscellaneous fees and expenses.

The selling and marketing costs of Ningbo Hailiang amounted to RMB116.4 million, RMB115.9 million, RMB163.6 million, RMB70.4 million and RMB72.5 million for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The increase from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily due to the increase in advertisement expenses and the number of the sales staff of Ningbo Hailiang and its subsidiaries as a result of increased sales activities.

Income tax expense

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Ningbo Hailiang had an income tax expense of RMB25.1 million, RMB262.8 million, RMB168.6 million, RMB84.7 million and RMB84.5 million, respectively.

Loss/Profit for the year/period

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss/Profit before income tax	(143,956)	755,103	326,131	162,478	232,514
Income tax expenses	(25,142)	(262,841)	(168,583)	(84,698)	(84,480)
Loss/Profit for the year/period	(169,098)	492,262	157,548	77,780	148,034

For the year ended 31 December 2014, Ningbo Hailiang recorded as loss of RMB169.1 million. Such loss was mainly attributable to (i) the decrease in the total gross floor area of properties delivered; and (ii) the relatively high level of selling and marketing cost and administrative expenses due to a number of new real estate property projects then planned to be developed and delivered in the years 2015 and 2016.

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, Ningbo Hailiang generated profit of RMB492.3 million, RMB157.5 million, RMB77.8 million and RMB148 million, respectively. Such profit was mainly attributable to (i) the revenue derived from properties with relatively higher gross margins; and (ii) the total gross floor area of properties delivered.

FINANCIAL POSITION AND OTHER INFORMATION OF NINGBO HAILIANG**Financial resources and gearing ratio**

Ningbo Hailiang generally finances its operations through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from its related parties. Due to the dynamic nature of the underlying businesses, Ningbo Hailiang maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The table below sets out the financial liabilities of Ningbo Hailiang by relevant maturity grouping as at 31 December 2014, 2015, 2016 and 30 June 2017. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2014					
Borrowings	370,641	630,207	—	—	1,000,848
Trade and other payables	1,226,784	—	—	—	1,226,784
Amounts due to related parties	2,812,712	—	—	—	2,812,712
Financial guarantee	1,762,797	—	—	—	1,762,797
	<u>6,172,934</u>	<u>630,207</u>	<u>—</u>	<u>—</u>	<u>6,803,141</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Borrowings	3,349,031	1,602,808	—	—	4,951,839
Trade and other payables	1,350,628	—	—	—	1,350,628
Amounts due to related parties	3,525,159	—	—	—	3,525,159
Financial guarantee	4,063,520	—	—	—	4,063,520
	<u>12,288,338</u>	<u>1,602,808</u>	<u>—</u>	<u>—</u>	<u>13,891,146</u>
At 31 December 2016					
Borrowings	1,272,957	1,294,154	507,559	—	3,074,670
Trade and other payables	1,765,077	—	—	—	1,765,077
Amounts due to related parties and loans from a related party	2,175,244	—	—	—	2,175,244
Financial guarantee	6,036,760	—	—	—	6,036,760
	<u>11,250,038</u>	<u>1,294,154</u>	<u>507,559</u>	<u>—</u>	<u>13,051,751</u>
At 30 June 2017					
Borrowings	2,172,153	1,337,885	—	—	3,510,038
Trade and other payables	1,942,479	—	—	—	1,942,479
Amounts due to related parties and loans from a related party	1,434,607	—	—	—	1,434,607
Financial guarantee	6,381,880	—	—	—	6,381,880
	<u>11,931,119</u>	<u>1,337,885</u>	<u>—</u>	<u>—</u>	<u>13,269,004</u>

As at 31 December 2014, 2015, 2016 and 30 June 2017, bank borrowings of nil, nil, RMB2,620 million and RMB2,590 million were secured by properties under development, respectively, and were additionally guaranteed by certain related parties, respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, borrowings from other financial institutions of RMB500 million, RMB2,365 million, RMB200 million and nil were secured by properties under development. The secured other borrowings were additionally guaranteed by certain related parties.

The gearing ratios of Ningbo Hailiang as at 31 December 2014, 2015, 2016 and 30 June 2017 are as follows:

	As at 31 December			As at
	2014	2015	2016	June 30
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	900,000	4,587,869	2,846,501	3,290,000
Amount due to the ultimate holding company of Ningbo Hailiang Group and its subsidiaries (Note 28 (d)(v))	2,307,320	2,979,407	1,349,822	372,798
Less: cash and cash equivalents	(223,688)	(721,089)	(1,053,598)	(1,217,272)
Restricted cash	<u>(86,290)</u>	<u>(115,772)</u>	<u>(148,299)</u>	<u>(279,515)</u>
Net borrowings	2,897,342	6,730,415	2,994,426	2,166,011
Total equity	<u>826,574</u>	<u>1,323,836</u>	<u>1,487,984</u>	<u>379,509</u>
Total capital	<u>3,723,916</u>	<u>8,054,251</u>	<u>4,482,410</u>	<u>2,545,520</u>
Gearing ratio	<u>78%</u>	<u>84%</u>	<u>67%</u>	<u>85%</u>

CONTINGENT LIABILITIES

As at 31 December 2016, Ningbo Hailiang had no contingent liabilities pursuant to which material losses were expected.

CHARGE ON ASSETS

As at 31 December 2014, 2015, 2016 and 30 June 2017, properties under development of approximately RMB992 million, RMB4,052 million, RMB3,433 million, and RMB3,352.2 million, respectively, were pledged as collateral for Ningbo Hailiang's borrowings.

FOREIGN EXCHANGE EXPOSURE

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, substantially all transactions of Ningbo Hailiang were denominated in RMB, and most of the bank deposits were denominated in RMB to minimise foreign exchange exposure. The directors of Ningbo Hailiang considered that the foreign exchange exposure of Ningbo Hailiang was minimal, and therefore, Ningbo Hailiang had not implemented any formal hedging policies to deal with such exposures.

EMPLOYEES' REMUNERATION AND POLICY

As at 31 December 2014, 2015, 2016 and 30 June 2017, Ningbo Hailiang employed a total of 623, 586, 578 and 495 employees, respectively, for its operations. Total staff costs for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB105.8 million, RMB156.2 million, RMB182.7 million and RMB132.9 million, respectively.

Ningbo Hailiang has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles and performance, market requirements and the performance of Ningbo Hailiang. In addition to monthly salaries, Ningbo Hailiang also provides benefits including discretionary bonus, social insurance and housing provident funds to its staff.

SIGNIFICANT INVESTMENTS HELD

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, Ningbo Hailiang did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed on pages III-14 to III-15 of this circular, Ningbo Hailiang did not have any material acquisitions or disposals during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

FUTURE PLANS

Save as disclosed above, Ningbo Hailiang has no plans for material investments for the year ending 31 December 2017.

BUSINESS AND FINANCIAL RESULTS OF ANHUI HAILIANG

Anhui Hailiang is a limited liability company established in the PRC principally engaged in property development and the sales, lease and provision of after-sales service for commercial housings.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the real estate property projects of the subsidiaries, associated companies and joint ventures of Anhui Hailiang were mainly located in Heifei, Fuyang, Bengbu and Lu'an of the PRC, with an aggregate land areas of approximately 1,981,895 square meters, of which approximately 1,261,397 gross floor areas of the land are expected to be developed into residential buildings, while the remaining approximately 501,559 gross floor areas of the land are expected to be developed into business facilities.

Revenue and gross profit

Revenue and gross profit of Anhui Hailiang for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,935,217	5,712,872	5,276,357	2,786,840	1,101,666
Gross profit	248,754	1,141,771	657,769	287,170	188,033

The revenue of Anhui Hailiang is mainly derived from the sales of properties in the PRC. Anhui Hailiang has one operating and reportable segment during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, being the property development in the PRC.

Revenue of Anhui Hailiang increased by approximately 195.21% from RMB1,935.2 million for the year ended 31 December 2014 to RMB5,712.9 million for the year ended 31 December 2015 due to the increase in the total gross floor area of properties delivered. For the year ended 31 December 2016, the revenue of Anhui Hailiang decreased by approximately 7.64% to RMB5,276.4 million. Such decrease was mainly due to the decrease of average selling price of properties delivered in different cities.

The revenue of Anhui Hailiang was decreased by approximately 60.47% from RMB2,786.8 million for the six months ended 30 June 2016 to RMB1,101.7 million for the six months ended 30 June 2017. It was mainly due to the decrease in the total gross floor area of properties delivered.

Cost of sales

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	(1,686,463)	(4,571,101)	(4,618,588)	(2,499,670)	(913,633)

The cost of sales of Anhui Hailiang for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 comprised the costs incurred in relation to direct development activities for the properties delivered, such as land use rights costs, construction costs, capitalized costs and business tax.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the cost of sales of the Group amounted to RMB1,686.5 million, RMB4,571.1 million, RMB4,618.6 million, RMB2,499.7 million and RMB913.6 million, respectively.

Administrative expenses, selling and marketing cost and income tax

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	(76,941)	(73,755)	(55,419)	(33,091)	(14,440)
Selling and marketing cost	(97,448)	(89,725)	(80,083)	(37,936)	(41,779)
Income tax expenses	(73,730)	(309,197)	(159,383)	(63,343)	(40,362)

Administrative expenses

The administrative expenses of Anhui Hailiang include mainly include staff costs and taxation.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Anhui Hailiang had an administrative expense of RMB76.9 million, RMB73.8 million, RMB55.4 million, RMB33.1 million and RMB14.4 million, respectively.

Selling and marketing cost

The selling and marketing costs of Anhui Hailiang during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 comprised primarily the staff costs and advertisement expenses.

The selling and marketing costs of Anhui Hailiang amounted to RMB97.4 million, RMB89.7 million, RMB80.1 million, RMB37.9 million and RMB41.8 million for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The decrease from the year ended 31 December 2014 to the year ended 31 December 2016 was primarily due to the decrease in advertisement expenses and the number of the sales staff of Anhui Hailiang and its subsidiaries as a result of a reduction of sales activities.

Income tax expense

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Anhui Hailiang had an income tax expense of RMB73.7 million, RMB309.2 million, RMB159.4 million, RMB63.3 million and RMB40.4 million, respectively.

Profit for the year/period

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	76,577	983,046	526,576	217,698	134,605
Income tax expenses	(73,730)	(309,197)	(159,383)	(63,343)	(40,362)
Profit for the year/period	2,847	673,849	367,193	154,355	94,243

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Anhui Hailiang generated profit of RMB2.8 million, RMB673.8 million, RMB367.2 million, RMB154.4 and RMB94.2 million, respectively. Such profit was mainly attributable to the gains from the total gross floor area of properties delivered.

FINANCIAL POSITION AND OTHER INFORMATION OF ANHUI HAILIANG

Financial resources and gearing ratio

Anhui Hailiang generally finances its operations through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from its related parties. Due to the dynamic nature of the underlying businesses, Anhui Hailiang maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The table below sets out the financial liabilities of Anhui Hailiang by relevant maturity grouping as at 31 December 2014, 2015, 2016 and 30 June 2017. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2014					
Borrowings	1,510,962	421,737	—	—	1,932,699
Trade and other payables	1,021,484	—	—	—	1,021,484
Amounts due to related parties	1,051,520	—	—	—	1,051,520
Financial guarantee	2,939,155	—	—	—	2,939,155
	<u>6,523,121</u>	<u>421,737</u>	<u>—</u>	<u>—</u>	<u>6,944,858</u>
At 31 December 2015					
Borrowings	752,641	160,770	—	—	913,411
Trade and other payables	1,307,292	—	—	—	1,307,292
Amounts due to related parties	795,247	—	—	—	795,247
Financial guarantee	3,196,035	—	—	—	3,196,035
	<u>6,051,215</u>	<u>160,770</u>	<u>—</u>	<u>—</u>	<u>6,211,985</u>
At 31 December 2016					
Borrowings	88,113	212,625	—	—	300,738
Trade and other payables	1,898,670	—	—	—	1,898,670
Amounts due to related parties	1,029,966	—	—	—	1,029,966
Financial guarantee	3,986,624	—	—	—	3,986,624
	<u>7,003,373</u>	<u>212,625</u>	<u>—</u>	<u>—</u>	<u>7,215,998</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2017					
Borrowings	391,154	145,295	—	—	536,449
Trade and other payables	1,563,568	—	—	—	1,563,568
Amounts due to related parties	473,787	—	—	—	473,787
Financial guarantee	4,297,832	—	—	—	4,297,832
	<u>6,726,341</u>	<u>145,295</u>	<u>—</u>	<u>—</u>	<u>6,871,636</u>

As at 30 June 2017, bank borrowings of RMB149 million were secured by properties under development of Anhui Hailiang. The secured bank borrowings were additionally guaranteed by certain related parties of Anhui Hailiang.

As at 31 December 2014, 2015, 2016 and 30 June 2017, borrowings from other financial institutions of RMB1,583.2 million, RMB250.6 million, RMB200 million and RMB200 million were secured by properties under development and completed properties held for sale. The secured other borrowings were additionally guaranteed by certain related parties of Anhui Hailiang.

The gearing ratios of Anhui Hailiang as at 31 December 2014, 2015, 2016 are as follows:

	As at 31 December			As at June 30
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	1,783,190	850,620	270,000	499,000
Loans from related parties	901,507	593,953	937,933	6
Less: cash and cash equivalents	(185,369)	(121,194)	(253,570)	(430,265)
Restricted cash	<u>(828,242)</u>	<u>(389,336)</u>	<u>(372,710)</u>	<u>(393,080)</u>
Net borrowings	1,671,086	934,043	581,653	(324,339)
Total equity	<u>612,752</u>	<u>936,601</u>	<u>1,303,794</u>	<u>848,037</u>
Total capital	<u>2,283,838</u>	<u>1,870,644</u>	<u>1,885,447</u>	<u>523,698</u>
Gearing ratio	<u>73%</u>	<u>50%</u>	<u>31%</u>	<u>N/A</u>

There is no gearing ratio of Anhui Hailiang as at 30 June 2017 as Anhui Hailiang had net cash surplus as at 30 June 2017.

CONTINGENT LIABILITIES

As at 31 December 2016, Anhui Hailiang had no contingent liabilities pursuant to which material losses were expected.

CHARGE ON ASSETS

As at 31 December 2014, 2015, 2016 and 30 June 2017, properties under development of Anhui Hailiang of RMB3,054.1 million, RMB1,084.2 million, RMB926.2 million and RMB1,055.2 million, respectively, were pledged as collateral for Anhui Hailiang's borrowings.

FOREIGN EXCHANGE EXPOSURE

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, substantially all transactions of Anhui Hailiang were denominated in RMB, and most of the bank deposits were denominated in RMB to minimise foreign exchange exposure. The directors of Anhui Hailiang considered that the foreign exchange exposure of Anhui Hailiang was minimal, and therefore, Anhui Hailiang had not implemented any formal hedging policies to deal with such exposures.

EMPLOYEES' REMUNERATION AND POLICY

As at 31 December 2014, 2015, 2016 and 30 June 2017, Anhui Hailiang employed a total of 645, 395, 360 and 453 employees, respectively, for its operations. Total staff costs for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were RMB98.9 million, RMB94.5 million, RMB63.5 million and RMB38 million, respectively.

Anhui Hailiang has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles and performance, market requirements and the performance of Anhui Hailiang. In addition to monthly salaries, Anhui Hailiang also provides benefits including discretionary bonus, social insurance and housing provident funds to its staff.

SIGNIFICANT INVESTMENTS HELD

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, Anhui Hailiang did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, Anhui Hailiang did not have any material acquisitions or disposals.

FUTURE PLANS

Save as disclosed above, Anhui Hailiang has no plans for material investments for the year ending 31 December 2017.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 September 2017 of the property interests held by the Target Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

30 December 2017

The Board of Directors
Ronshine China Holdings Limited
18/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions of Ronshine China Holdings Limited (the “**Company**”) to value the property interests held by Anhui Hailiang Property Company Limited and Ningbo Hailiang Property Investment Company Limited (the “**Target Companies**”) and their subsidiaries and associated companies (hereinafter together referred to as the “**Target Group**”) in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 September 2017 (the “**valuation date**”).

Our valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests in Group I which were held and occupied by the Target Group, the property interests in Group II which were held for sale by the Target Group and the property interests in Group IV which were held for future development by the Target Group as at the valuation date by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and presupposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificates/Tables/Reports or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; real estate developments held and occupied are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued for by the relevant local authorities and are occupied or to be occupied by the owner; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

In valuing the property interests in Group III which were held under development by the Target Groupas at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Target Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Target Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Works Certified Report(s) or Certificate(s) of Completion of the building(s) have not been issued.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense 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 value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

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

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have summarized the major certificates/approvals of the properties in the Notes of each valuation certificate. In these summaries, we adopt “no” if the Group has not obtained such certificates/approvals which are not required for the current construction stages, we adopt “portion” if the Group has not yet obtained some of such certificates/approvals of the properties as these properties consist of different groups mentioned above/construction stages (different certificates/approvals are required for different groups/construction stages) and we adopt “N/A” (not applicable) in note 5 on pages VI-135 and VI-137, as the corresponding properties are acquired from third parties and such certificates/approvals are not applicable for these properties except Building Ownership Certificates. We have relied considerably on the advice given by the Company’s PRC legal adviser — All Bright Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in October 2017 by about 15 technical staff including Ms. Anna Liang, Ms. Bella He, Mr. Eric Lu, Ms. Evelyn Xu, Ms. Gloria Wang, Mr. Harrison Zhu, Ms. Tinnie Zhu, Mr. Jack Ye, Mr. Jack Zhu, Mr. Jayden Gu, Mr. Jimmy Gu, Ms. Nicole Liu, Ms. Nina Huang, Ms. Raina Zheng, Mr. Stone Chen and etc. Among them, Ms. Evelyn Xu is a probationer of RICS, Ms. Gloria Wang is a China Real Estate Appraiser, Mr. Jack Ye is a China Certified Public Valuer, Ms. Nicole Liu is a China Land Valuer and China Certified Real Estate Appraiser, Ms. Raina Zheng is a China Real Estate Appraiser and China Public Valuer and Mr. Stone Chen is a China Real Estate Appraiser. They have more than 4 years' experience in the valuation of properties in the PRC.

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

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Properties held and occupied by the Target Group in the PRC

Group II: Properties held for sale by the Target Group in the PRC

Group III: Properties held under development by the Target Group in the PRC

Group IV: Properties held for future development by the Target Group in the PRC

“—” or N/A: Not applicable or not available

No.	Property	Market value in existing state as at the valuation date RMB Group I:	Market value in existing state as at the valuation date RMB Group II:	Market value in existing state as at the valuation date RMB Group III:	Market value in existing state as at the valuation date RMB Group IV:	The total market value in existing state as at the valuation date RMB
1.	Suzhou Tang Ning Fu No. 18 Zhongnan Street Suzhou Industrial Park Suzhou City Jiangsu Province The PRC (蘇州唐寧府)	—	—	5,628,000,000	—	5,628,000,000
2.	Portions of Suzhou Changqiao Yayuan located at the western side of North Zhongshan Road and the northern side of West Jiangling Road Wujiang District Suzhou City Jiangsu Province The PRC (蘇州長橋雅苑)	—	174,370,000	1,308,000,000	—	1,482,370,000
3.	Portions of Nantong Yue Rong Shu located at the eastern side of Donghai Road and the western side of Jialing River Road Haimen City Nantong City Jiangsu Province The PRC (南通悅榕墅)	—	32,030,000	—	—	32,030,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
4.	Portions of Hai Liang Hua Fu located at the southern side of Huaihe Road and the eastern side of Xiqing Road Yingzhou District Fuyang City Anhui Province The PRC (海亮•华府)	—	17,000,000	—	—	17,000,000
5.	Portions of Hai Liang Yu Fu located at the western side of Nanjing Road and the northern side of Liulin Road Yingzhou District Fuyang City Anhui Province The PRC (海亮•御府)	—	53,120,000	—	—	53,120,000
6.	Portions of Hai Liang Yue Fu located at the southern side of Tian'er Road and the eastern side of Huangshan Road Fu He New Town Fuyang City Anhui Province The PRC (海亮•悦府)	—	153,880,000	560,050,000	—	713,930,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
7.	Portions of The Riverside Mansion located at the eastern side of Yingbin Road and the southern side of Yinghedong Road Yingdong District Fuyang City Anhui Province The PRC (海亮 • 江灣城)	—	24,410,000	1,202,890,000	—	1,227,300,000
8.	Hai Liang Long Yuan located at the northern side of Fukou Road and the eastern side of Woyang Road Yingdong District Fuyang City Anhui Province The PRC (阜陽海亮瓏園)	—	—	631,510,000	—	631,510,000
9.	Hai Liang Xing Cheng located at the eastern side of Woyang Road and the northern side of Panzhai Road Yingquan District Fuyang City Anhui Province The PRC (阜陽海亮星城)	—	—	349,710,000	—	349,710,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
10.	Hai Liang Xingfu Li located at the eastern side of Huashan Road and the southern side of Shufenghu Road Fuyang Hefei Mordern Industrlal Zone Fuyang City Anhui Province The PRC (阜陽海亮幸福里)	—	—	959,790,000	—	959,790,000
11.	Xingfu Li East County located at the northern side of Ying Qi Road and the western side of Zhou Ershiqi Road Yingzhou District Fuyang City Anhui Province The PRC (阜陽•幸福里東郡)	—	—	—	469,020,000	469,020,000
12.	Xingfu Li North County located at the southern side of Ying Qi Road and the western side of Gangkou Road Yingzhou District Fuyang City Anhui Province The PRC (阜陽•幸福里北郡)	—	—	—	258,050,000	258,050,000

No.	Property	Market value	Market value	Market value	Market value	The total
		in existing	in existing	in existing	in existing	market value
		state as at	state as at	state as at	state as at	in existing
		the valuation	the valuation	the valuation	the valuation	state as at
		date	date	date	date	the valuation
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		Group I:	Group II:	Group III:	Group IV:	
13.	Portions of Bengbu Hai Liang Ming Zhu located at Dong Hai Avenue and Xue Han Road Longzihu District Bengbu City Anhui Province The PRC (安徽蚌埠海亮明珠)	—	326,670,000	564,550,000	—	891,220,000
14.	Portions of Bengbu Hai Liang Tian Yu located at the junction of Dong Hai Avenue and Huan Hu West Road Longzihu District Bengbu City Anhui Province The PRC (安徽蚌埠海亮天御)	—	109,110,000	986,050,000	—	1,095,160,000
15.	Portions of Hailiang Official Mansion located at the intersection of Zhenhua Road and Jiefang Road Yu'an District Lu'an City Anhui Province The PRC (六安海亮•官邸)	—	227,840,000	449,800,000	—	677,640,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
16.	Portions of Hefei Hailiang Palais Jardin located at the intersection of Innovative Avenue and Wanshui Road Gaoxin District Hefei City Anhui Province The PRC (合肥海亮•九璽)	—	538,750,000	—	—	538,750,000
17.	Portions of Hefei Hailiang Rubellite located at the intersection of Qingyang Road and Pihe Road Shushan District Hefei City Anhui Province The PRC (海亮•熙園)	—	2,480,000	—	—	2,480,000
18.	Portions of Hefei Orchid Land located at the intersection of South Erhuan Road and North Erhuan Raod Luyang District Hefei City Anhui Province The PRC (合肥海亮•蘭郡)	—	146,190,000	—	—	146,190,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
19.	Portions of Hailiang Rubellite located at the intersection of Yijing Road and Guzhen Road Luyang District Hefei City Anhui Province The PRC (海亮紅璽台)	—	450,150,000	—	—	450,150,000
20.	Portions of Hailiang Sunny Riverside No. 353 Tao Hua Tan Xi Road Jingxian County Xuancheng City Anhui Province The PRC (宣城海亮•陽光水岸)	—	17,090,000	—	—	17,090,000
21.	Portions of Hailiang Heavenly Mansion located at the western side of Chuang Ye Road Jingxian County Xuancheng City Anhui Province The PRC (涇縣海亮•天御)	—	31,830,000	327,480,000	—	359,310,000
22.	Portions of Hailiang British Polis located at the eastern side of Binhe Road Guangde County Xuancheng City Anhui Province The PRC (廣德海亮•英倫城邦)	—	37,980,000	117,790,000	—	155,770,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
23.	Hailiang Time ONE located at the intersection of Huayuan Road and Longmen Road Jinshui District Zhengzhou City Henan Province The PRC (海亮時代ONE)	—	—	2,253,050,000	—	2,253,050,000
24.	Portions of Hai Liang Xin Ying Li located at the eastern side of Xi Feng Road and the southern side of Yan Huan Road Yanta District Xi'an City Shaanxi Province The PRC (海亮•新英里)	—	1,467,000,000	—	225,490,000	1,692,490,000
25.	Hai Liang De Wen Jun located at Guo She Street Changan District Xi'an City Shaanxi Province The PRC (海亮•德文郡)	—	—	—	757,800,000	757,800,000
26.	Hai Liang Tang Ning Fu located at the western side of Heng Tong Er Road and the southern side of Yue Deng Ge Road Chanba Ecological District Xi'an City Shaanxi Province The PRC (海亮•唐寧府)	—	—	597,640,000	534,370,000	1,132,010,000

No.	Property	Market value	Market value	Market value	Market value	The total
		in existing	in existing	in existing	in existing	market value
		state as at	state as at	state as at	state as at	in existing
		the valuation	the valuation	the valuation	the valuation	state as at
		date	date	date	date	the valuation
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		Group I:	Group II:	Group III:	Group IV:	
27.	Portions of Xi'an Hai Liang Xi Yue located at the eastern side of Shunxing Road and the western side of Hanlin Road Changan District Xi'an City Shaanxi Province The PRC (西安•海亮熙悦)	—	—	—	823,600,000	823,600,000
28.	Portions of Lanzhou Binhe Yi Hao located at the western side of Mogao Avenue and the northern side of Lanzhou City College Aning District Lanzhou City Gansu Province The PRC (蘭州海亮濱河壹號)	—	367,990,000	—	—	367,990,000
29.	Portions of Lanzhou Hailiang Heyuan located at the northern side of B462 Road and the eastearn side of S459 Road Chengguan District Lanzhou City Gansu Province The PRC (蘭州海亮和園)	—	83,790,000	—	—	83,790,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
30.	Lanzhou Xi'an Hua Fu No. 105 Xigu West Road Xigu District Lanzhou City Gansu Province The PRC (蘭州熙岸華府)	—	—	718,000,000	—	718,000,000
31.	Hailiang Da Du Hui No. 12 Huzhu East Road Chengdong District Xining City Qinghai Province The PRC (西寧海亮大都匯)	—	885,790,000	199,690,000	51,000,000	1,136,480,000
32.	Portions of Hailiang International Community located at the intersection of Shahai Road and Huayuan South Street Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (海亮國際社區)	—	404,470,000	—	—	404,470,000
33.	Binhe No.1 Project located at the northern side of Helanshan East Road Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川濱河壹號)	—	—	665,490,000	87,570,000	753,060,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
34.	A residential unit of Wangdu Junfu located at E14 Fuxing South Street Helan County Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川望都郡府)	1,500,000	—	—	—	1,500,000
35.	2 residential units of Phase III Jingmo Community located at the southern side of Shaqu Road Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川景墨家園)	1,280,000	—	—	—	1,280,000
36.	Haimao No.1 Project located at the southern side of Weiyi Road and the western side of Zhengyuan North Street Jinfeng District Yinchuan City The Ningxia Hui Autonomous Region The PRC (海茂壹號院)	—	—	1,625,090,000	—	1,625,090,000

No.	Property	Market value in existing state as at the valuation date <i>RMB</i> Group I:	Market value in existing state as at the valuation date <i>RMB</i> Group II:	Market value in existing state as at the valuation date <i>RMB</i> Group III:	Market value in existing state as at the valuation date <i>RMB</i> Group IV:	The total market value in existing state as at the valuation date <i>RMB</i>
37.	Shiyuefu Project located at the southern side of Shenyang Road Forest Belt and the western of Zhengyuan North Street Jinfeng District Yinchuan City The Ningxia Hui Autonomous Region The PRC (世悦府)	—	—	295,680,000	231,200,000	526,880,000
38.	Hailiang Skyscrapers No. 66 Dongjiangyuan Avenue Zhangjiang New District Ganzhou City Jiangxi Province The PRC (海亮天城)	—	217,180,000	1,799,610,000	—	2,016,790,000
39.	A parcel of land of Yijing Garden located at the eastern side of Jingtū Road and the northern side of Shengquan Road Huaiyuan County Bengbu City Anhui Province The PRC (懷遠頤景花園)	—	—	—	8,900,000	8,900,000
Total:						<u>30,458,770,000</u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
1.	Suzhou Tang Ning Fu located at No. 18 Zhongnan Street Suzhou Industrial Park Suzhou City Jiangsu Province The PRC (蘇州唐寧府)	<p>Suzhou Tang Ning Fu is located at No. 18 Zhongnan Street, Suzhou Industrial Park. The locality is a residential area with several mega residential developments with street front shops and schools.</p> <p>Suzhou Tang Ning Fu occupies a parcel of land with a site area of approximately 106,303.44 sq.m., which is being developed into a residential development. The project was under construction as at the valuation date and is scheduled to be completed in June 2018. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 279,093.02 sq.m.</p> <p>As at the valuation date, the property comprised the whole project of Suzhou Tang Ning Fu. The classification, usage and gross floor area details of the property were set out in note 7.</p> <p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB1,850,000,000, of which approximately RMB919,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 7 October 2085 for residential use.</p>	As at the valuation date, the property was under construction.	5,628,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205032015CR0017 dated 1 July 2015 and a supplementary contract dated 8 August 2015, the land use rights of a parcel of land with a site area of approximately 106,303.44 sq.m. were contracted to be granted to Suzhou Industrial Park Shengzhe Real Estate Co., Ltd. (蘇州工業園區聖哲房地產有限公司, “Shengzhe Real Estate”, a 95%-owned subsidiary of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB3,060,000,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. C20150008-01, permission towards the planning of the aforesaid land parcel with a site area of approximately 106,303.44 sq.m. has been granted to Shengzhe Real Estate.
3. Pursuant to a State-owned Land Use Rights Certificate — Su Gong Yuan Guo Yong (2015) Di No. 00143, the land use rights of the aforesaid land parcel with a site area of approximately 106,303.44 sq.m. have been granted to Shengzhe Real Estate for a term expiring on 7 October 2085 for residential use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 20151524 in favour of Shengzhe Real Estate, Suzhou Tang Ning Fu with a total gross floor area of approximately 279,093.02 sq.m. has been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — Nos. 320594201512220501, 320594201601150301, 320594201603290301 and 320594201604200201 in favour of Shengzhe Real Estate, permissions by the relevant local authority were given to commence the construction of Suzhou Tang Ning Fu with a total gross floor area of approximately 279,093.02 sq.m.
6. Pursuant to 3 Pre-sale Permits — Su Fang Yu Yuan Qu Nos. (2016) 146, (2016) 229 and (2017) 056 in favour of Shengzhe Real Estate, the Target Group is entitled to sell portions of Suzhou Tang Ning Fu (representing a total gross floor area of approximately 141,535.85 sq.m.) to purchasers.
7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	187,493.83	
	Ancillary	30,832.19	
	Basement (inclusive of car parking spaces)	60,767.00	825
	Total:	279,093.02	825

8. As advised by the Target Group, various residential units and car parking spaces with a total gross floor area of approximately 126,786.57 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB4,804,372,321. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB7,556,000,000.

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development of the subject property and other newly to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB38,000 to RMB43,000 per sq.m. for residential units and RMB140,000 to RMB240,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. The land parcel of the property is subject to a mortgage;
- b. Shengzhe Real Estate is legally and validly in possession of the land use rights of the property. Shengzhe Real Estate has the rights to occupy and use the land parcel of the property, but its transfer is subject to the mortgage until the mortgage has been released;
- c. Shengzhe Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Shengzhe Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as "Group III — held under development by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
2.	Portions of Suzhou Changqiao Yayuan located at the western side of North Zhongshan Road and the northern side of West Jiangling Road Wujiang District Suzhou City Jiangsu Province The PRC (蘇州長橋雅苑)	<p>Suzhou Changqiao Yayuan is located at the western side of North Zhongshan Road and the northern side of West Jiangling Road. It is well served with public transportation. The locality is a mature residential and commercial area.</p> <p>Suzhou Changqiao Yayuan occupies 3 parcels of land with the total site area of approximately 161,105.50 sq.m., which is being developed into a residential development. Portions of the project were completed between 2014 and 2016, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in May 2019. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 145,523.37 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Suzhou Changqiao Yayuan with a total gross floor area of approximately 187,354.85 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	1,482,370,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
	<p>As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB478,000,000 of which approximately RMB478,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 16 March 2083 for residential use.</p>		<i>RMB</i>

Notes:

- Pursuant to 3 State-owned Land Use Rights Grant Contracts — Nos. 3205842013CR0038, 3205842013CR0039 and 3205842013CR0040 dated 26 March 2013, the land use rights of 3 parcels of land with a total site area of approximately 161,117.70 sq.m. were contracted to be granted to Suzhou City Wujiang Hailiang Real Estate Co., Ltd. (蘇州市吳江海亮房地產有限公司, “Wujiang Hailiang Real Estate”, a wholly-owned subsidiary of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB943,000,000.
- Pursuant to 3 Construction Land Planning Permits — Di Zi Di Nos. 320584201303041, 320584201303047 and 320584201303048, permissions towards the planning of the aforesaid land parcels with a total site area of approximately 161,134.139 sq.m. have been granted to Wujiang Hailiang Real Estate.
- Pursuant to 3 State-owned Land Use Rights Certificates — Wu Guo Yong (2013) Di Nos. 2600074, 2600075 and 2600069, the land use rights of the aforesaid land parcels with a total site area of approximately 161,105.50 sq.m. have been granted to Wujiang Hailiang Real Estate for a term expiring on 13 April 2081 for residential use.
- Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Nos. 320584201303094, 320584201303121 and 320584201403004 in favour of Wujiang Hailiang Real Estate, Suzhou Changqiao Yayuan with a total gross floor area of approximately 507,342.18 sq.m. have been approved for construction.
- Pursuant to 5 Construction Work Commencement Permits — Nos. FJ20130329320584201307090401, FJ20130446320584201310140101, FJ20130674320584201401090301, FJ20140290320584201410150201 and FJ20150197320584201507290301 in favour of Wujiang Hailiang Real Estate, permissions by the relevant local authority were given to commence the construction of Suzhou Changqiao Yayuan with a total gross floor area of approximately 505,544.11 sq.m.
- Pursuant to 10 Pre-sale Permits — Nos. (2013) 059, (2013) 078, (2014) 011, (2014) 030, (2014) 050, (2014) 068, (2015) 039, (2015) 056, (2016) 080 and (2016) 040 in favour of Wujiang Hailiang Real Estate, the Target Group is entitled to sell portions of Suzhou Changqiao Yayuan (representing a total gross floor area of approximately 361,194.50 sq.m.) to purchasers.

7. Pursuant to 9 Construction Work Completion and Inspection Tables in favour of Wujiang Real Estate, the construction of portions of Suzhou Changqiao Yayuan with a total gross floor area of approximately 356,445.14 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	8,259.23	
	Car parking spaces	33,572.25	1,041
	Sub-total:	41,831.48	1,041
Group III — held under development by the Target Group	Residential	92,037.70	
	Ancillary	13,182.79	
	Basement (inclusive of car parking spaces)	40,302.88	1,000
	Sub-total:	145,523.37	1,000
	Total:	187,354.85	2,041

9. As advised by the Target Group, various residential units, basements and car parking spaces with a total gross floor area of approximately 11,576.90 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB41,974,904. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,308,000,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development of the subject property and other newly to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB14,000 to RMB18,000 per sq.m. for residential units and RMB35,000 to RMB80,000 per sq.m. car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Wujiang Hailiang Real Estate is legally and validly in possession of the land use rights of the property. Wujiang Hailiang Real Estate has the rights to occupy, use, lease and dispose of the land parcels of the property;
 - Wujiang Hailiang Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
 - For the portions of the property of which the Pre-sale Permits have been obtained, Wujiang Hailiang Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
 - For the portions of the property which have completed and passed final acceptance of construction, Wujiang Hailiang Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.
13. A summary of major certificates/approvals is shown as follows:
- | | |
|--|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate | Yes |
| c. Building Ownership Certificate | No |
| d. Construction Land Planning Permit | Yes |
| e. Construction Work Planning Permit | Yes |
| f. Construction Work Commencement Permit | Yes |
| g. Pre-sale Permit | Portion |
| h. Construction Work Completion and Inspection Report/Certificate/Table/Report | Portion |
14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	174,370,000
Group III — held under development by the Target Group	1,308,000,000
Total:	1,482,370,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
3.	Portions of Nantong Yue Rong Shu located at the eastern side of Donghai Road and the western side of Jialing River Road Haimen City NantongCity Jiangsu Province The PRC (南通悦榕墅)	<p>Nantong Yue Rong Shu is located at the southern side of Donghai Road and the western side of Jialing River Road. It is well-served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>Nantong Yue Rong Shu occupies a parcel of land with a site area of approximately 53,561.00 sq.m., which had been developed into a residential development. The project was completed in 2016, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Nantong Yue Rong Shu with a total gross floor area of approximately 7,275.56 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for the terms expiring on 30 June 2084 for residential use, 30 June 2064 for public construction use and 30 June 2054 for commercial use.</p>	As at the valuation date, the property was held for sale.	32,030,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3206842014CR0018 dated 10 February 2014 and a supplementary contract dated 31 March 2014, the land use rights of a parcel of land with a site area of approximately 53,561.00 sq.m. were contracted to be granted to Nantong Hailiang Real Estate Holdings Ltd. (南通海亮房地產有限公司, “Nantong Real Estate”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use, 50 years for public construction use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB435,986,540.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320684201410009, permission towards the planning of the aforesaid land parcel with a site area of approximately 53,561.00 sq.m has been granted to Nantong Real Estate.
3. Pursuant to a State-owned Land Use Rights Certificate — Hai Guo Yong (2014) Di No. 071040, the land use rights of the aforesaid land parcel with a site area of approximately 53,561.00 sq.m. have been granted to Nantong Real Estate for terms expiring on 30 June 2084 for residential use, 30 June 2064 for public construction use and 30 June 2054 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320684201410038 in favour of Nantong Real Estate, Nantong Yue Rong Shu with a total gross floor area of approximately 129,652.91 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 320684020140066 and 320684020140077 in favour of Nantong Real Estate, permissions by the relevant local authority were given to commence the construction of Nantong Yue Rong Shu with a gross floor area of approximately 129,652.91 sq.m.
6. Pursuant to 10 Pre-sale Permits — Hai Fang Xiao Zi Di Yu Nos. 2014048, 2014050, 2014064, 2014065, 2015002, 2015012, 2015017, 2015030, 2015037 and 2016001 in favour of Nantong Real Estate, the Target Group is entitled to sell portions of Nantong Yue Rong Shu (representing a total gross floor area of approximately 95,048.08 sq.m.) to purchasers.
7. Pursuant to a Construction Work Completion and Inspection Table in favour of Nantong Real Estate, the construction of Nantong Yue Rong Shu with a gross floor area of approximately 129,582.89 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	284.03	
	Car parking spaces	6,991.53	519
	Total:	7,275.56	519

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB8,000 to RMB18,000 per sq.m. for residential units and RMB90,000 to RMB100,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Nantong Real Estate is legally and validly in possession of the land use rights of the property. Nantong Real Estate has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Nantong Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Nantong Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Nantong Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
4.	Portions of Hai Liang Hua Fu located at the southern side of Huaihe Road and the eastern side of Xiqing Road Yingzhou District Fuyang City Anhui Province The PRC (海亮 • 華府)	<p>Hai Liang Hua Fu is located at the southern side of Huaihe Road and the eastern side of Xiqing Road. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops and a hospital.</p> <p>Hai Liang Hua Fu occupies a parcel of land with a site area of approximately 22,873.00 sq.m., which had been developed into a residential development. The project was completed in 2014, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hai Liang Hua Fu with a total gross floor area of approximately 2,787.71 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for the terms expiring on 27 March 2083 for residential use and 27 March 2053 for commercial use.</p>	As at the valuation date, the property was held for sale.	17,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341201 Chu Rang (2013)-3 dated 28 February 2013, the land use rights of a parcel of land with a site area of approximately 22,873.00 sq.m. were contracted to be granted to Fuyang Hailiang Real Estate Development Co., Ltd. (阜陽海亮房地產有限公司, “Fuyang Real Estate”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB176,500,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No 341200201300024, permission towards the planning of the aforesaid land parcel with a site area of approximately 22,873.00 sq.m. has been granted to Fuyang Real Estate.
3. Pursuant to a State-owned Land Use Rights Certificate — Fu Zhou Guo Yong (2013) Di No. A110046, the land use rights of the aforesaid land parcel with a site area of approximately 22,873.00 sq.m. have been granted to Fuyang Real Estate for terms of 70 years expiring on 27 March 2083 for residential use and 40 years expiring on 27 March 2053 for commercial use.
4. Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Nos. 341200201300062, 341200201300100, 341200201300175 and 341200201300272 in favour of Fuyang Real Estate, Hai Liang Hua Fu with a total gross floor area of approximately 87,989.00 sq.m. has been approved for construction.
5. Pursuant to 5 Construction Work Commencement Permit — Nos. 341200201308230101, 341200201307100101, 34120013121601S01, 34120013121601S05 and 341200201305100101 in favour of Fuyang Real Estate, permissions by the relevant local authority were given to commence the construction of Hai Liang Hua Fu with a gross floor area of approximately 87,409.98 sq.m.
6. Pursuant to 7 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di Nos. 20130061, 20130062, 20130092, 201300125, 201300174, 201300119 and 201400228 in favour of Fuyang Real Estate, the Target Group is entitled to sell portions of Hai Liang Hua Fu (representing a total gross floor area of approximately 78,703.00 sq.m.) to purchasers.
7. Pursuant to 8 Construction Work Completion and Inspection Tables in favour of Fuyang Real Estate, the construction of Hai Liang Hua Fu with a total gross floor area of approximately 83,523.16 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Apartment	1,306.40	
	Retail	1,481.31	
	Total:	2,787.71	N/A

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are apartment units and retail units within the same development of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,000 to RMB9,000 per sq.m. for apartment units and RMB14,500 to RMB20,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Fuyang Real Estate is legally and validly in possession of the land use rights of the property. Fuyang Real Estate has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Fuyang Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Fuyang Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Fuyang Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
5.	Portions of Hai Liang Yu Fu located at the western side of Nanjing Road and the northern side of Liulin Road Yingzhou District Fuyang City Anhui Province The PRC (海亮 • 御府)	<p>Hai Liang Yu Fu is located at at the western side of Nanjing Road and the northern side of Liulin Road. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>Hai Liang Yu Fu occupies a parcel of land with a site area of approximately 130,244.00 sq.m., which had been developed into a residential development. The project was completed in 2015, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hai Liang Yu Fu with a total gross floor area of approximately 14,487.97 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted a term expiring on 3 May 2083 for residential use.</p>	As at the valuation date, the property was held for sale.	53,120,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341201 Chu Rang (2013)-7 dated 2 April 2013, the land use rights of a parcel of land with a site area of approximately 130,244.00 sq.m. were contracted to be granted to Fuyang Hailiang Investment Co., Ltd. (阜陽海亮投資有限公司, “Fuyang Investment”, a wholly-owned subsidiary of the Target Companies) for a term of 70 years for residential use. The land premium was RMB263,700,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201300055, permission towards the planning of the aforesaid land parcel with a site area of approximately 130,244.00 sq.m. has been granted to Fuyang Investment.
3. Pursuant to a State-owned Land Use Rights Certificate — Fu Zhou Guo Yong (2013) Di No. A110055, the land use rights of the aforesaid land parcel with a site area of approximately 130,244.00 sq.m. have been granted to Fuyang Investment for a term of 70 years expiring on 3 May 2083 for residential use.
4. Pursuant to 10 Construction Work Planning Permits — Jian Zi Di Nos. 341200201400170, 341200201400119, 341200201400137, 341200201300206, 341200201300138, 341200201300235, 341200201300246, 341200201400006, 341200201400038 and 341200201300076 in favour of Fuyang Investment, Hai Liang Yu Fu with a total gross floor area of approximately 285,487.00 sq.m. has been approved for construction.
5. Pursuant to 16 Construction Work Commencement Permits — Nos. 341200201310220101, 341200201307260101, 341200201307260201, 341200201306040101, 341200201306040201, 341200201311060101, 341200201309250101, 34120213121602S01, 341200201309250101, 34120213121602S03, 34120014060502S01, 34120014060502S02, 34120213121603S04, 34120213121603S02, 34120014060502S04 and 34120014060502S05 in favour of Fuyang Investment, permissions by the relevant local authority were given to commence the construction of Hai Liang Yu Fu with a gross floor area of approximately 264,485.89 sq.m.
6. Pursuant to 35 Pre-sale Permits — Fu Fang Yu Shou Zheng Di Nos. 201300103, 201300104, 201300129, 201300130, 201300140, 201300142, 201300143, 201300156, 201300157, 201300169-201300174, 201400020-201400022, 201400030, 201400031, 201400053, 201400019, 201400210, 201400211, 201400218, 201400219, 201400227, 201400229, 201400239-201400241, 201500001, 201500103, 201500239 and 201600151 in favour of Fuyang Investment, the Target Group is entitled to sell portions of Hai Liang Yu Fu (representing a total gross floor area of approximately 254,677.00 sq.m.) to purchasers.
7. Pursuant to 34 Construction Work Completion and Inspection Tables in favour of Fuyang Investment, the construction of Hai Liang Yu Fu with a total gross floor area of approximately 259,834.15 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Retail	4,614.24	
	Car parking spaces	9,873.73	314
	Total:	14,487.97	314

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are retail units and car parking spaces within the same building of the subject property and other newly completed located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from and RMB9,500 to RMB20,000 per sq.m. for retail units and RMB30,000 to RMB50,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Fuyang Investment is legally and validly in possession of the land use rights of the property. Fuyang Investment has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Fuyang Investment has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Fuyang Investment has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Fuyang Investment has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
6.	Portions of Hai Liang Yue Fu located at the southern side of Tian'er Road and the eastern side of Huangshan Road Fu He New Town Fuyang City Anhui Province The PRC (海亮 • 悦府)	<p>Hai Liang Yue Fu is located at the southern side of Tian'er Road and the eastern side of Huangshan Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang Yue Fu occupies 2 parcels of land with a total site area of approximately 145,024.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2016 and January 2017, and the unsold portion of that (the "unsold units") was held for sale as at the valuation date. The remaining portion of the project was under construction (the "CIP") as at the valuation date and is scheduled to be completed in October 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 256,784.63 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Hai Liang Yue Fu with a total gross floor area of approximately 257,708.40 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	713,930,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB583,000,000, of which approximately RMB152,000,000 had been paid as at the valuation date.		<i>RMB</i>
	The land use rights of the property have been granted for the terms of 70 years expiring on 26 February 2084 for residential use and 40 years expiring on 26 February 2054 for commercial use.		

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts — Nos. 341201 Chu Rang (2014) — 1, 2 and 10 dated between 8 January 2014 and 25 March 2014, the land use rights of 2 parcels of land with a total site area of approximately 145,024.00 sq.m. were contracted to be granted to Fuyang Hailiang Fuhe Real Estate Co., Ltd. (阜陽海亮阜合房地產有限公司, “Hailiang Fuhe”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB358,950,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201400044, permission towards the planning of the aforesaid land parcels with a total site area of approximately 145,024.00 sq.m. has been granted to Hailiang Fuhe.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Fu Zhou Guo Yong (2014) Di No. A110050 and Wan (2017) Fu Yang Chi Bu Dong Chan Quan Di No. 0053642, the land use rights of the aforesaid land parcels with a total site area of approximately 145,024.00 sq.m. have been granted to Hailiang Fuhe for the terms of 70 years expiring on 26 February 2084 for residential use and 40 years expiring on 26 February 2054 for commercial use.
4. Pursuant to 6 Construction Work Planning Permits — Jian Zi Di Nos. 341200201400129, 341200201400151, 341200201400181, 341200201400199, 341200201600057 and 341200201600173 in favour of Hailiang Fuhe, Hai Liang Yue Fu with a total gross floor area of approximately 404,928.00 sq.m. has been approved for construction.
5. Pursuant to 11 Construction Work Commencement Permits — Nos. 34120014062501S01, 34120014062501S02, 34120014062501S03, 34120014062502S01, 34120014062502S02, 34120014062502S07, 34120014062502S08, 34120014062502S10, 34120014062502S11, 34120014062502S12 and 34120014062502S13 in favour of Hailiang Fuhe, permissions by the relevant local authority were given to commence the construction of Hai Liang Yue Fu with a total gross floor area of approximately 404,881.90 sq.m.

6. Pursuant to 38 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di Nos. 201400189 to 201400194, 201400220, 201400230 to 201400234, 201400237, 201400245, 201500039 to 201500042, 201500213 to 201500214, 201500288, 201600031 to 201600032, 201600064, 201600142 to 201600143, 201600065, 201600152 to 201600153, 201600227 to 201600228, 201600281, 201600342, 201600363, 201600206, 201600235, 201600303, 201600374 to 201600375, 201600450, 201600470 to 201600471, 201700028 to 201700029, 201700066 and 201700067 in favour of Hailiang Fuhe, the Target Group is entitled to sell portions of Hai Liang Yue Fu (representing a total gross floor area of approximately 307,653.00 sq.m.) to purchasers.
7. Pursuant to 19 Construction Work Completion and Inspection Tables in favour of Hailiang Fuhe, the construction of portions of Hai Liang Yue Fu with a gross floor area of approximately 148,057.94 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	356.33	
	Retail	567.44	
	Sub-total:	923.77	
Group III — held under development by the Target Group	Residential	194,566.74	
	Retail	20,152.09	
	Ancillary	3,963.22	
	Basement (inclusive of car parking spaces)	38,102.58	1,355
	Sub-total:	256,784.63	1,355
	Total:	257,708.40	1,355

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 183,833.43 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB830,845,667. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,200,560,000.

11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,000 to RMB9,000 per sq.m. for residential units, RMB14,500 to RMB25,000 per sq.m. for retail units and RMB20,000 to RMB130,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Hailiang Fuhe is legally and validly in possession of the land use rights of the property. Hailiang Fuhe has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Hailiang Fuhe has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Hailiang Fuhe has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Hailiang Fuhe has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	153,880,000
Group III — held under development by the Target Group	560,050,000
Total:	713,930,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
7.	Portions of The Riverside Mansion located at the eastern side of Yingbin Road and the southern side of Yinghedong Road Yingdong District Fuyang City Anhui Province The PRC (海亮•江灣城)	<p>The Riverside Mansion is located at the eastern side of Yingbin Road and the southern side of Yinghedong Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>The Riverside Mansion occupies 2 parcels of land with a total site area of approximately 114,375.80 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in September 2017, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in April 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 282,141.77 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of The Riverside Mansion with a total gross floor area of approximately 283,926.60 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	1,227,300,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB692,000,000, of which approximately RMB410,000,000 had been paid as at the valuation date.		<i>RMB</i>
	The land use rights of the property have been granted for a term of 70 years expiring on 14 March 2085 for residential use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341201 Chu Rang (2014)-47 dated 19 November 2014 and a supplementary contract dated 27 February 2014, the land use rights of 2 parcels of land with a total site area of approximately 114,375.80 sq.m. were contracted to be granted to Fuyang Hailiang Yingdong Real Estate Co., Ltd. (阜陽海亮穎東房地產有限公司, “Fuyang Yingdong”, a wholly-owned subsidiary of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB533,551,600.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201500042, permission towards the planning of the aforesaid land parcel with a site area of approximately 114,375.80 sq.m. has been granted to Fuyang Yingdong.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Fu Dong Guo Yong (2015) Di Nos. A110067 and A110068, the land use rights of the aforesaid land parcels with a total site area of approximately 114,375.80 sq.m. have been granted to Fuyang Yingdong for a term of 70 years expiring on 14 March 2085 for residential use.
4. Pursuant to 7 Construction Work Planning Permits — Jian Zi Di Nos. 341200201500047, 341200201500072, 341200201500138, 341200201500201, 341200201600003, 341200201600041 and 341200201600063 in favour of Fuyang Yingdong, The Riverside Mansion with a total gross floor area of approximately 390,010.00 sq.m. has been approved for construction.
5. Pursuant to 8 Construction Work Commencement Permits — Nos. 3412001503180102-SX-001 to 007 and 009 in favour of Fuyang Yingdong, permissions by the relevant local authority were given to commence the construction of The Riverside Mansion with a total gross floor area of approximately 388,698.73 sq.m.
6. Pursuant to 34 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di Nos. 201500143 to 201500148, 201500185, 201500219 to 201500223, 201500252, 201500285 to 201500286, 201600013, 201600019 to 201600020, 201600035, 201600048, 201600065, 201600152 to 201600153, 201600227 to 201600228, 201600281, 201600342, 201600363, 201600416, 201600440, 201600448, 201700068 to 201700070 and 201700233 in favour of Fuyang Yingdong, the Target Group is entitled to sell portions of The Riverside Mansion (representing a total gross floor area of approximately 303,376.00 sq.m.) to purchasers.

7. Pursuant to 11 Construction Work Completion and Inspection Tables and 2 Construction Work Completion and Inspection Reports in favour of Fuyang Yingdong, the construction of portions of The Riverside Mansion with a total gross floor area of approximately 106,556.96 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	672.82	
	Retail	1,112.31	
	Sub-total:	1,785.13	
Group III — held under development by the Target Group	Residential	200,406.53	
	Retail	15,607.73	
	Ancillary	3,471.53	
	Basement (inclusive of car parking spaces)	62,655.98	2,011
	Sub-total:	282,141.77	2,011
	Total:	283,926.90	2,011

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 199,367.23 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB1,274,219,111. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,653,000,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,300 to RMB7,300 per sq.m. for residential units, RMB13,800 to RMB25,000 per sq.m. for retail units and RMB45,000 to RMB70,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Fuyang Yingdong is legally and validly in possession of the land use rights of the property. Fuyang Yingdong has the rights to occupy, use, lease and dispose of the land parcels of the property;
 - Fuyang Yingdong has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
 - For the portions of the property of which the Pre-sale Permits have been obtained, Fuyang Yingdong has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
 - For the portions of the property which have completed and passed final acceptance of construction, Fuyang Yingdong has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.
13. A summary of major certificates/approvals is shown as follows:
- | | |
|---|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate | Yes |
| c. Building Ownership Certificate | No |
| d. Construction Land Planning Permit | Yes |
| e. Construction Work Planning Permit | Yes |
| f. Construction Work Commencement Permit | Yes |
| g. Pre-sale Permit | Portion |
| h. Construction Work Completion and Inspection Certificate/Table/Report | Portion |
14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	24,410,000
Group III — held under development by the Target Group	1,202,890,000
Total:	1,227,300,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
8.	Hai Liang Long Yuan located at the northern side of Fukou Road and the eastern side of Woyang Road Yingdong District Fuyang City Anhui Province The PRC (阜陽海亮•瓏園)	<p>Hai Liang Long Yuan is located at the northern side of Fukou Road and the eastern side of Woyang Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang Long Yuan occupies a parcel of land with a site area of approximately 51,589.00 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in September 2018. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 181,030.08 sq.m.</p> <p>As at the valuation date, the property comprised the whole project of Hai Liang Long Yuan. The classification, usage and gross floor area details of the property were set out in note 7.</p> <p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB451,000,000, of which approximately RMB177,000,000 had been paid as at the valuation date.</p>	As at the valuation date, the property was under construction.	631,510,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
	The land use rights of the property have been granted for the terms expiring on 22 June 2086 for residential use and 22 June 2056 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341201 Chu Rang (2016)-13 dated 24 May 2016 and a supplementary contract dated 7 July 2016, the land use rights of a parcel of land with a site area of approximately 51,589.00 sq.m. were contracted to be granted to Fuyang Haikuo Yingdong Property Co., Ltd. (阜陽海闊穎東置業有限公司, “Fuyang Haikuo Yingdong”, a 95%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB316,197,700.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201600101, permission towards the planning of the aforesaid land parcel with a site area of approximately 51,589.00 sq.m. has been granted to Fuyang Haikuo Yingdong.
3. Pursuant to a State-owned Land Use Rights Certificate — Wan (2016) Fuyang Shi Bu Dong Chan Quan Di No. 0029058, the land use rights of the aforesaid land parcel with a site area of approximately 51,589.00 sq.m. have been granted to Fuyang Haikuo Yingdong for the terms expiring on 22 June 2086 for residential use and 22 June 2056 for commercial use.
4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di No. 341200201600191 and 341200201600211 in favour of Fuyang Haikuo Yingdong, Hai Liang Long Yuan with a total gross floor area of approximately 181,030.00 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — No. 3412031609010102-SX-001 and 3412031609010102-SX-002 in favour of Fuyang Haikuo Yingdong, permissions by the relevant local authority were given to commence the construction of Hai Liang Long Yuan with a total gross floor area of approximately 180,934.72 sq.m.
6. Pursuant to 19 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di Nos. 201700047 to 201700055, 201700077, 201700078, 201700159 to 201700161, 201700272 to 201700274, 201700284 and 201700403, in favour of Fuyang Haikuo Yingdong, the Target Group is entitled to sell Hai Liang Long Yuan (representing a total gross floor area of approximately 132,749.00 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	143,324.47	
	Retail	1,605.00	
	Basement (inclusive of car parking spaces)	35,453.17	954
	Ancillary	647.44	
	Total:	181,030.08	954

8. As advised by the Target Group, various residential and retail units with a total gross floor area of approximately 132,131.73 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,011,356,322. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,069,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB7,000 to RMB10,000 per sq.m. for residential units, RMB14,000 to RMB20,000 per sq.m. for retail units and RMB40,000 to RMB80,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- The land parcel of the property is subject to a mortgage;
 - Fuyang Haikuo Yingdong is legally and validly in possession of the land use rights of the property. Fuyang Haikuo Yingdong has the rights to occupy and use the land parcel, but its transfer is subject to the mortgage until the mortgage has been released;

- c. Fuyang Haikuo Yingdong has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Fuyang Haikuo Yingdong has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Building Ownership Certificate | No |
| d. | Construction Land Planning Permit | Yes |
| e. | Construction Work Planning Permit | Yes |
| f. | Construction Work Commencement Permit | Yes |
| g. | Pre-sale Permit | Portion |
| h. | Construction Work Completion and Inspection Certificate/Table/Report | No |
13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
9.	Hai Liang Xing Cheng located at the eastern side of Woyang Road and the northern side of Panzhai Road Yingquan District Fuyang City Anhui Province The PRC (海亮 • 星城)	<p>Hai Liang Xing Cheng is located at the eastern side of Woyang Road and the northern side of Panzhai Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang Xing Cheng occupies a parcel of land with a site area of approximately 51,543.00 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in April 2019. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 148,364.32 sq.m.</p> <p>As at the valuation date, the property comprised the whole project of Hai Liang Xing Cheng. The classification, usage and gross floor area details of the property were set out in note 7.</p> <p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB383,000,000, of which approximately RMB100,000,000 had been paid as at the valuation date.</p>	As at the valuation date, the property was under construction.	349,710,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
			RMB

The land use rights of the property have been granted for the terms expiring on 16 January 2087 for residential use and 16 January 2057 for commercial use.

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — 341201 Chu Rang (2017) — No. 4 dated 18 January 2017 and a supplementary contract dated 23 January 2017, the land use rights of a parcel of land with a site area of approximately 51,543.00 sq.m. were contracted to be granted to Fuyang Hailiang Xincheng Property Co., Ltd (阜陽海亮星城置業有限公司, “Fuyang Xingcheng”, a 67%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB194,938,900.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201700021, permission towards the planning of the aforesaid land parcel with a site area of approximately 51,543.00 sq.m. has been granted to Fuyang Xingcheng.
- Pursuant to a State-owned Land Use Rights Certificate — Wan (2017) Fuyang Shi Bu Dong Chan Quan Di No. 0080084, the land use rights of the aforesaid land parcel with a site area of approximately 51,543.00 sq.m. have been granted to Fuyang Xingcheng for the terms expiring on 16 January 2087 for residential use and 16 January 2057 for commercial use.
- Pursuant to 2 Construction Work Planning Permits — Jian Zi Di No. 341200201700064 and 341200201700109 in favour of Fuyang Xingcheng, Hai Liang Xing Cheng with a total gross floor area of approximately 148,364.00 sq.m. has been approved for construction.
- Pursuant to 2 Construction Work Commencement Permits — No. 3412001704060101-SX-001 and 3412001704060101-SX-002 in favour of Fuyang Xingcheng, permissions by the relevant local authority were given to commence the construction of Hai Liang Xing Cheng with a total gross floor area of approximately 148,364.00 sq.m.
- Pursuant to 15 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di No. 201700055, 201700414 to 201700421, 201700479 to 201700482, 201700490 and 201700491, in favour of Fuyang Xingcheng, the Target Group is entitled to sell Hai Liang Xing Cheng (representing a total gross floor area of approximately 110,887.00 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	120,225.94	
	Basement (inclusive of car parking spaces)	26,049.07	
	Ancillary	2,089.31	908
	Total:	148,364.32	908

8. As advised by the Target Group, various residential and retail units with a total gross floor area of approximately 81,746.10 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB570,053,971. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB785,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB6,500 to RMB7,300 per sq.m. for residential units and RMB50,000 to RMB120,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Fuyang Xingcheng is legally and validly in possession of the land use rights of the property. Fuyang Xingcheng has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - Fuyang Xingcheng has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - For the portions of the property which the Pre-sale Permits have been obtained, Fuyang Xingcheng has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
10.	Hai Liang Xingfu Li located at the eastern side of Huashan Road and the southern side of Shufenghu Road Fuyang Hefei Mordern Industral Zone Fuyang City Anhui Province The PRC (海亮 • 幸福里)	<p>Hai Liang Xingfu Li is located at the eastern side of Huashan Road and the southern side of Shufenghu Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang Xingfu Li occupies a parcel of land with a site area of approximately 154,391.00 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in May 2019. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 401,954.76 sq.m.</p>	As at the valuation date, the property was under construction.	959,790,000
		<p>As at the valuation date, the property comprised the whole project of Hai Liang Xingfu Li. The classification, usage and gross floor area details of the property were set out in note 7.</p>		
		<p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB900,000,000, of which approximately RMB231,000,000 had been paid as at the valuation date.</p>		

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
	The land use rights of the property have been granted for the terms expiring on 4 January 2087 for residential use and 4 January 2057 for commercial use.		RMB

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 341201 Chu Rang (2016)-35 dated 6 December 2016 and a supplementary contract dated 23 December 2016, the land use rights of a parcel of land with a site area of approximately 154,391.00 sq.m. were contracted to be granted to Fuyang Haikuo Fuhe Property Co., Ltd (阜陽海闊阜合房地產有限公司, “Fuyang Haikuo”, a 70%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB440,014,350.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201700004, permission towards the planning of the aforesaid land parcel with a site area of approximately 154,391.00 sq.m. has been granted to Fuyang Haikuo.
3. Pursuant to a State-owned Land Use Rights Certificate — Wan (2017) Fuyang Shi Bu Dong Chan Quan Di No. 0059977, the land use rights of the aforesaid land parcel with a site area of approximately 154,391.00 sq.m. have been granted to Fuyang Haikuo for the terms expiring on 4 January 2087 for residential use and 4 January 2057 for commercial use.
4. Pursuant to 3 Construction Work Planning Permits — Jian Zi Di No. 341200201700015, 341200201700093 and 341200201700057 in favour of Fuyang Haikuo, Hai Liang Xingfu Li with a total gross floor area of approximately 401,955.00 sq.m. has been approved for construction.
5. Pursuant to 3 Construction Work Commencement Permits — No. 341200171220101-SX-001, 3412001704060101-SX-002 and 341200171220101-SX-003 in favour of Fuyang Haikuo, permissions by the relevant local authority were given to commence the construction of Hai Liang Xingfu Li with a total gross floor area of approximately 401,954.76 sq.m.
6. Pursuant to 38 Pre-sale Permits — (Fu) Fang Yu Shou Zheng Di Nos. 201700147 to 201700158, 201700289 to 201700304, 201700395, 201700396, 201700405 to 201700408, 201700410 to 201700412 and 201700483 in favour of Fuyang Haikuo, the Target Group is entitled to sell portions of Hai Liang Xingfu Li (representing a total gross floor area of approximately 258,249.00 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	310,859.14	
	Retail	17,099.44	
	Basement (inclusive of car parking spaces)	69,296.35	2,471
	Ancillary	4,699.83	
	Total:	401,954.76	2,471

8. As advised by the Target Group, various residential and retail units with a total gross floor area of approximately 167,165.90 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,141,913,964. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,083,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,000 to RMB9,000 per sq.m. for residential units, RMB14,000 to RMB25,000 per sq.m. for retail units and RMB50,000 to RMB130,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Fuyang Haikuo is legally and validly in possession of the land use rights of the property. Fuyang Haikuo has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - Fuyang Haikuo has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - For the portions of the property of which the Pre-sale Permits have been obtained, Fuyang Haikuo has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portions
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
11. Xingfu Li East County located at the northern side of Ying Qi Road and the western side of Zhou Ershiqi Road Yingzhou District Fuyang City Anhui Province The PRC (幸福里東郡)	<p>Xingfu Li East County is located at the northern side of Ying Qi Road and the western side of Zhou Ershiqi Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Xingfu Li East County occupies a parcel of land with a site area of approximately 86,710.00 sq.m., which will be developed into a residential and commercial development with a total gross floor area of approximately 253,097.00 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Xingfu Li East County. The classification, usage and gross floor area details of the property were set out in note 4.</p> <p>The land use rights of the property have been granted for the terms expiring on 3 July 2057 for commercial use and 3 July 2087 for residential use.</p>	As at the valuation date, the property was bare land.	469,020,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — 341201 Chu Rang (2017) No. 17 dated 16 June 2017 and an Equity Transfer Agreement dated 26 July, the land use rights of a parcel of land with a site area of approximately 86,710.00 sq.m. were contracted to be granted to Rongxin Hailiang Real Estate Co., Ltd. (阜陽融信海亮房地產有限公司, “Rongxin Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 40 years for commercial use and 70 years for residential use commencing from the land delivery date. The total land premium was RMB427,795,700.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341200201700089, permission towards the planning of the aforesaid land parcel with a site area of approximately 86,710.00 sq.m. has been granted to Rongxin Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — Wan (2017) Fu Yang Shi Bu Dong Chan Quan Di No. 0116503, the land use rights of the aforesaid land parcel with a site area of approximately 86,710.00 sq.m. have been granted to Rongxin Hailiang for the terms expiring on 3 July 2057 for commercial use and 3 July 2087 for residential use.
4. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group IV — held for future development by the Target Group	Residential	183,373.00	
	Retail	10,354.00	
	Ancillary	5,706.00	
	Basement (inclusive of car parking spaces)	53,664.00	N/A
	Total:	253,097.00	N/A

5. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Yingzhou District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB2,100 to RMB2,400 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Rongxin Hailiang is legally and validly in possession of the land use rights of the property. Rongxin Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	No
e.	Construction Work Planning Permit	No
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

8. For the purpose of this report, the property is classified into the Target Group as “Group IV — held for future development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
12.	Xingfu Li North County located at the southern side of Ying Qi Road and the western side of Gangkou Road Yingzhou District Fuyang City Anhui Province The PRC (幸福里北郡)	<p>Xingfu Li North County is located at the southern side of Ying Qi Road and the western side of Gangkou Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Xingfu Li North County occupies a parcel of land with a site area of approximately 47,886.00 sq.m., which will be developed into a residential and commercial development with a total gross floor area of approximately 143,367.00 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Xingfu Li North County. The classification, usage and gross floor area details of the property were set out in note 3.</p> <p>The land use rights of the property have been granted for the terms expiring on 12 July 2057 for commercial use and 12 July 2087 for residential use.</p>	As at the valuation date, the property was bare land.	258,050,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — 341201 Chu Rang (2017) No. 16 dated 16 June 2017, the land use rights of a parcel of land with a site area of approximately 47,886.00 sq.m. were contracted to be granted Rongxin Hailiang Real Estate Co., Ltd. (阜陽融信海亮房地產有限公司, “Rongxin Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 40 years for commercial use and 70 years for residential use commencing from the land delivery date. The total land premium was RMB231,213,800.
2. Pursuant to a State-owned Land Use Rights Certificate — Wan (2017) Fu Yang Shi Bu Dong Chan Quan Di No. 0123739, the land use rights of the aforesaid land parcel with a site area of approximately 47,886.00 sq.m. have been granted to Rongxin Hailiang for the terms expiring on 12 July 2057 for commercial use and 12 July 2087 for residential use.
3. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group IV — held for future development by the Target Group	Residential	100,670.00	
	Retail	4,352.00	
	Ancillary	5,108.00	
	Basement (inclusive of car parking spaces)	33,237.00	N/A
	Total:	143,367.00	N/A

4. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Yingzhou District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB2,100 to RMB2,400 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Rongxin Hailiang is legally and validly in possession of the land use rights of the property. Rongxin Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	No
e.	Construction Work Planning Permit	No
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

7. For the purpose of this report, the property is classified into the Target Group as “Group IV — held for future development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
13.	Portions of Bengbu Hai Liang Ming Zhu located at Dong Hai Avenue and Xue Han Road Longzihu District Bengbu City Anhui Province The PRC (安徽蚌埠海亮明珠)	<p>Bengbu Hai Liang Ming Zhu is located at the southern side of Dong Hai Avenue and the western side of Xue Han Road. It is newly-development with public transportation. The surrounding environment comprises university zone and residential zone.</p> <p>Bengbu Hai Liang Ming Zhu occupies 3 parcels of land with a total site area of approximately 187,378.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed in December 2014, and the unsold portion of that (“the unsold units”) was vacant or was rented to various third parties as at the valuation date. Portions of the project were under construction the “CIP” as at the valuation date and were scheduled to be completed in February 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 171,875.94 sq.m.</p> <p>The property comprised the unsold units and CIP of Bengbu Hai Liang Ming Zhu with a total gross floor area of approximately 231,177.26 sq.m. The classification, usage and planned gross floor area details of the property are set out in note 8.</p>	As at the valuation date, portions of the unsold units of the property were vacant, while portions of the unsold units of the property were rented to various third parties for commercial purpose, and the remaining portions of the property was under construction.	891,220,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	<p>As advised by the Target Group, the construction cost of CIP of the property is estimated to be approximately RMB354,000,000, of which approximately RMB204,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for the terms expiring on 29 June 2082 for residential use and 29 June 2052 for commercial use.</p>		

Notes:

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. 3403002012045 and 3403002012046, the land use rights of 3 parcels of land with a total site area of approximately 187,378.00 sq.m. were contracted to be granted to Bengbu Hai Liang Real Estate Co., Ltd. (蚌埠海亮房地產有限公司, “Bengbu Real Estate”, a wholly-owned subsidiary of the Target Companies) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB550,000,000.
- Pursuant to 3 Construction Land Planning Permits — Di Zi Di Nos. 340301200064, 340301200115 and 340301200116, permissions towards the planning of the aforesaid land parcels with a total site area of approximately 187,377.90 sq.m. have been granted to Bengbu Real Estate.
- Pursuant to 3 State-owned Land Use Rights Certificates — Beng Guo Yong Chu Rang Nos. 2012235, 2013317 and 2013318 the land use rights of the aforesaid land parcels with a total site area of approximately 187,378.00 sq.m. have been granted to Bengbu Real Estate for the terms expiring on 29 June 2082 for residential use and 29 June 2052 for commercial use.
- Pursuant to 16 Construction Work Planning Permits — Jian Zi Di Nos. 340301201200215, 340301201200285, 340301201200364, 340301201200365, 340301201300273, 340301201600088, 340301201600081, 340301201400025, 340301201500233, 340301201300079, 340301201600181, 340301201500010, 340301201300274, 340301201400028, 340301201400226 and 340301201400370 in favour of Bengbu Real Estate, Bengbu Hai Liang Ming Zhu with a total gross floor area of approximately 603,019.92 sq.m. have been approved for construction.
- Pursuant to 38 Construction Work Commencement Permits — Nos. 34030120120906011, 34030120121022021, 34030120121022031, 34030120120906021, 34030120121022041, 34030120120906031, 34030120121210011, 34030120121210021, 34030120121210031, 4030120121210041, 34030120121210051, 34030120121210061, 34030120121210071, 34030120121210081, 34030120130402011, 34030120130402021, 34030120130402031, 34030120130402041, 34030120130402051, 34030120130624151, 34030120130624161, 34030120130624171, 34030120130624181, 34030120130624191, 34030120130624201, 3403001512160101SX001, 3403001512160101SX002, 3403001512160101SX003, 3403001512160101SX004, 3403001512160101SX005,

34030114012302S01, 34030120130402061, 34030120121210091, 3403001501210101SX001, 34030120130634211, 34030120130634221, 34030120130624131 and 34030120130624141 in favour of Bengbu Real Estate, permissions by the relevant local authority were given to commence the construction of Bengbu Hai Liang Ming Zhu with a total gross floor area of approximately 600,848.60 sq.m.

6. Pursuant to 42 Pre-sale Permits — (Shangpin) No. FYSZD (2012)184, 306, 307, 363, 364, 350, 351, (2013)023, 024, 067, 068, 069, 070, 072, 103, 104, 071, 072, 179, 180, 181, 205, 206, 345, 346, (2014)085, 086, 183, 297, 298, (2015)009, 010, (2016)001, 089, 132, 150, 165, 193, 229, (2017)005, 029 and 071 in favour of Bengbu Real Estate, the Target Group is entitled to sell portions of Bengbu Hai Liang Ming Zhu (representing a total gross floor area of approximately 529,168.79 sq.m.) to purchasers.
7. Pursuant to 36 Construction Work Completion and Inspection Tables in favour of Bengbu Real Estate, the construction of portions of Bengbu Hai Liang Ming Zhu with a total gross floor area of approximately 434,528.45 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	2,292.25	
	Retail	33,285.69	
	SOHO	23,723.38	
	Sub-total:	59,301.32	
Group III — held under development by the Target Group	Residential	136,035.94	
	Retail	7,657.00	
	Ancillary	7,323.00	
	Basement (inclusive of car parking spaces)	20,860.00	1,665
	Sub-total:	171,875.94	1,665
	Total:	231,177.26	1,665

9. As advised by the Target Group, various residential and retail units with a total gross floor area of approximately 8,693.64 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB36,853,260. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB801,000,000.

11. Pursuant to 59 Tenancy Agreements, portions of the property with a total gross floor area of approximately 22,254.96 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 14 November 2017 and 30 September 2025, and the total monthly rent receivable as at the valuation date is approximately RMB161,000 exclusive of management fees, water and electricity charges.

12. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, SOHO units, retail units and car parking spaces within the same developmen of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,500 to RMB6,200 per sq.m. for residential units, RMB10,000 to RMB20,000 per sq.m. for retail units, RMB4,200 to 6,600 per sq.m. for SOHO units and RMB38,000 to RMB52,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. Portions of the commercial units of the property are subject to mortgages;
- b. Bengbu Real Estate is legally and validly in possession of the land use rights of the property. Bengbu Real Estate has the rights to occupy, use, lease and dispose of the land parcels of the property;
- c. Bengbu Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Bengbu Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- e. For the portions of the property which have completed and passed final acceptance of construction, Bengbu Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

14. A summary of major certificates/approvals is shown as follows:

- | | |
|---|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate | Yes |
| c. Building Ownership Certificate | No |
| d. Construction Land Planning Permit | Yes |
| e. Construction Work Planning Permit | Yes |
| f. Construction Work Commencement Permit | Yes |
| g. Pre-sale Permit | Portion |
| h. Construction Work Completion and Inspection Certificate/Table/Report | Portion |

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	326,670,000
Group III — held under development by the Target Group	<u>564,550,000</u>
Total:	<u>891,220,000</u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
14.	Portions of Bengbu Hai Liang Tian Yu located at the junction of Dong Hai Avenue and Huan Hu West Road Longzihu District Bengbu City Anhui Province The PRC (安徽蚌埠海亮天御)	<p>Bengbu Hai Liang Tian Yu is located at the northern side of Shanhui Road and the eastern side of Hongye South Road. It is well served with public transportation. The locality is a newly development residential and commercial area.</p> <p>Bengbu Hai Liang Tian Yu occupies 5 parcels of land with a total site area of approximately 126,792.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2016 and August 2017, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in May 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 235,288.68 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Bengbu Hai Liang Tian Yu with a total gross floor area of approximately 248,839.49 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	1,095,160,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB542,000,000, of which approximately RMB272,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 16 November 2083 for residential use and 16 November 2053 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 3403002013063 dated 17 November 2013, the land use rights of 5 parcels of land with a total site area of approximately 126,792.00 sq.m. were contracted to be granted to Bengbu Hailiang Invesetment Co., Ltd. (蚌埠海亮投资有限公司, “Bengbu Hailiang Invesetment”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB592,600,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 340301201400008, permission towards the planning of the aforesaid land parcels with a total site area of approximately 126,792.38 sq.m. has been granted to Bengbu Hailiang Invesetment.
3. Pursuant to 5 State-owned Land Use Rights Certificates — Beng Guo Yong Di Nos. 2014226, 2014227, 2014228, 2014229 and 2014230, the land use rights of the aforesaid land parcels with a total site area of approximately 126,792.00 sq.m. have been granted to Bengbu Hailiang Invesetment for the terms of 70 years expiring on 16 November 2085 for residential use and 40 years expiring on 16 November 2053 for commercial use.
4. Pursuant to 9 Construction Work Planning Permits — Jian Zi Di Nos. 340301201400084, 340301201400314, 340301201500078, 340301201500131, 340301201600189, 340301201600195, 340301201600247, 340301201700030 and 340301201700081 in favour of Bengbu Hailiang Invesetment, Bengbu Hai Liang Tian Yu with a total gross floor area of approximately 425,400.24 sq.m. has been approved for construction.
5. Pursuant to 12 Construction Work Commencement Permits — Nos. 34030114021101S01, 34030114021101S03, 34030114021101S08, 34030114021101S06, 34030114021101S11, 34030114021101B10, 34030114021101S12, 34030114021101S13, 34030114021101S05, 34030114021101S14, 34030114021101S07 and 34030114021101S09 in favour of Bengbu Hailiang Invesetment, permissions by the relevant local authority were given to commence the construction of Bengbu Hai Liang Tian Yu with a total gross floor area of approximately 424,472.87 sq.m.

6. Pursuant to 32 Pre-sale Permits — (Shangpin) No. FYSZD (2014)286, 287, 288, 290 and 396, (2015)042-050, 170, 217, 289 and 297, (2016)051, 070, 077, 123, 124, 125, 151, 254 and 276 and (2017)006, 007, 092, 253 and 303 in favour of Bengbu Hailiang Invesetment, the Target Group is entitled to sell portions of Bengbu Hai Liang Tian Yu (representing a total gross floor area of approximately 292,514.13 sq.m.) to purchasers.
7. Pursuant to 14 Construction Work Completion and Inspection Tables in favour of Bengbu Hailiang Invesetment, the construction of portions of Bengbu Hai Liang Tian Yu with a total gross floor area of approximately 179,190.72 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	3,887.16	
	Retail	4,509.69	
	Basement (inclusive of car parking spaces)	5,153.96	427
	Sub-total:	13,550.81	427
Group III — held under development by the Target Group	Residential	177,327.34	
	Retail	10,496.84	
	Ancillary	6,419.62	
	Basement (inclusive of car parking spaces)	41,044.88	1,149
	Sub-total:	235,288.68	1,149
	Total:	248,839.49	1,576

9. As advised by the Target Group, various residential units, retail units and car parking space with a total gross floor area of approximately 139,030.62 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB957,470,119. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,441,000,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB6,500 to RMB9,500 per sq.m. for residential units and RMB10,000 to RMB20,000 per sq.m. for retail units. The unit price of these comparable properties ranges from 40,000 to 50,000 per parking lot. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and

physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Bengbu Hailiang Invesetment is legally and validly in possession of the land use rights of the property. Bengbu Hailiang Invesetment has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Bengbu Hailiang Invesetment has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Bengbu Hailiang Invesetment has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Bengbu Hailiang Invesetment has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	109,110,000
Group III — held under development by the Target Group	986,050,000
Total:	1,095,160,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
15.	Portions of Hailiang Official Mansion located at the intersection of Zhenhua Road and Jiefang Road Yu'an District Lu'an City Anhui Province The PRC (六安海亮•官邸)	<p>Hailiang Official Mansion is located at the intersection of Zhenhua Road and Jiefang Road. It is well served with public transportation. The locality is a newly developed residential and commercial area.</p> <p>Hailiang Official Mansion occupies a parcel of land with a site area of approximately 116,862.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2016 and May 2017, and the unsold portion of that (the "unsold units") was held for sale as at the valuation date. The remaining portion of the project was under construction (the "CIP") as at the valuation date and is scheduled to be completed in June 2019. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 126,944.40 sq.m.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	677,640,000
		<p>As at the valuation date, the property comprised the unsold units and CIP of Hailiang Official Mansion with a total gross floor area of approximately 176,207.05 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>		

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB301,000,000, of which approximately RMB80,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 19 January 2084 for residential use and 19 January 2054 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Liu Chu (2013) No. 39 dated 16 December 2013, the land use rights of a parcel of land with a site area of approximately 116,862.00 sq.m. were contracted to be granted to Lu'an Hai Liang Real Estate Co., Ltd. (六安海亮房地產有限公司, "Lu'an Real Estate", a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB570,000,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341500201400005, permission towards the planning of the aforesaid land parcel with a site area of approximately 116,862.00 sq.m. has been granted to Lu'an Real Estate.
3. Pursuant to a State-owned Real Estate Title Certificate — Wan (2016) Liu An Shi Shi Bu Dong Chan Quan Di No. 0015194, the land use rights of the aforesaid land parcel with a site area of approximately 116,862.00 sq.m. have been granted to Lu'an Real Estate for the terms of 70 years expiring on 19 January 2084 for residential use and 40 years expiring on 19 January 2054 for commercial use.
4. Pursuant to 36 Construction Work Planning Permits — Jian Zi Di Nos. 341500201400145, 341500201400147 to 341500201400149, 341500201400182 to 341500201400184, 341501201400481, 341501201400482, 341500201400637 to 341500201400639, 341500201510028, 341501201600102, 341500201500146, 341500201500147, 341500201500195, 341500201500196, 341500201500662, 341501201500707, 341501201600102 to 341501201600279, 341500201600636, 341510201700183, 341501201700185 and 341501201700184 in favour of Lu'an Real Estate, Lu'an Hailiang Official Mansion with a total gross floor area of approximately 358,011.77 sq.m. has been approved for construction.
5. Pursuant to 15 Construction Work Commencement Permits — Nos. 34150014052901S09 to 34150014052901S22 and 34150114041101S01, in favour of Lu'an Real Estate, permissions by the relevant local authority were given to commence the construction of Lu'an Hailiang Official Mansion with a total gross floor area of approximately 352,792.00 sq.m.

6. Pursuant to 26 Pre-sale Permits — Liu Fang Yu Shou Zheng Di Nos. 20140243 to 20140246, 20140251, 20140465, 20140466, 20140599, 20150145, 20150266, 20150311, 20150312, 20160060, 20160235 to 20160237, 20160379, 20160380, 20170241, 20170242, 20170363, 20170413, 20170414, 20170488, 20170058 and 20170059 in favour of Lu'an Real Estate, the Target Group is entitled to sell portions of Lu'an Hailiang Official Mansion (representing a total gross floor area of approximately 248,580.38 sq.m.) to purchasers.
7. Pursuant to 3 Construction Work Completion and Inspection Tables in favour of Lu'an Real Estate, the construction of portions of Lu'an Hailiang Official Mansion with a total gross floor area of approximately 206,108.22 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	45,813.53	
	Retail	3,449.12	
	Sub-total:	49,262.65	
Group III — held under development by the Target Group	Residential	68,194.50	
	Retail	11,156.60	
	Kindergarten	1,464.00	
	Ancillary	6,832.80	
	Basement (inclusive of car parking spaces)	39,296.50	2,705
	Sub-total:	126,944.40	2,705
Total:		176,207.05	2,705

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 30,817.18 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB238,688,810. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB850,000,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB7,500 to RMB8,200 per sq.m. for residential units, RMB10,000 to RMB26,000 per sq.m. for retail units and RMB50,000 to RMB80,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the

comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Lu'an Real Estate is legally and validly in possession of the land use rights of the property. Lu'an Real Estate has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Lu'an Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Lu'an Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Lu'an Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	227,840,000
Group III — held under development by the Target Group	449,800,000
Total:	677,640,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
16.	Portions of Hefei Hailiang Palais Jardin located at the intersection of Innovative Avenue and Wanshui Road Gaoxin District Hefei City Anhui Province The PRC (海亮•九璽花園)	<p>Hefei Hailiang Palais Jardin is located at intersection of Innovative Avenue and Wanshui Road. The locality is a newly developed area with a few residential developments with street front shops, hospital, schools and parks.</p> <p>Hefei Hailiang Palais Jardin occupies 2 parcels of land with a total site area of approximately 193,815.16 sq.m., which had been developed into a residential development. The project was completed in 2015, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hefei Hailiang Palais Jardin with a total gross floor area of approximately 38,955.60 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for a term expiring on 15 November 2082 for residential use.</p>	As at the valuation date, the property was held for sale.	538,750,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — He Di Gao Xin Jing Ying (2012) No. 152 dated 17 October 2012, the land use rights of 2 parcels of land with a total site area of approximately 193,815.16 sq.m. were contracted to be granted to Hefei Hailiang Investment Co., Ltd. (合肥海亮投资有限公司, “Hefei Hailiang Investment”, a wholly-owned subsidiary of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB1,159,983,733.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 340101201230071, permission towards the planning of the aforesaid land parcels with a total site area of approximately 193,815.60 sq.m. has been granted to Hefei Hailiang Investment.
3. Pursuant to 2 State-owned Land Use Rights Certificates — He Gao Xin Guo Yong (2013) Di Nos. 048 and 056, the land use rights of the aforesaid land parcels with a total site area of approximately 193,815.16 sq.m. have been granted to Hefei Hailiang Investment for a term of 70 years expiring on 15 November 2082 for residential use.
4. Pursuant to 92 Construction Work Planning Permits — Jian Zi Di Nos. 340101201320031 to 340101201320041, 340101201320069, 340101201320070, 340101201320107, 340101201320133, 340101201320134, 340101201320142, 340101201320167, 340101201320177, 340101201320232 to 340101201320234, 340101201320238 to 340101201320242, 340101201320254, 340101201320256, 340101201420001, 340101201420039, 340101201420040, 340101201420119 to 340101201420126, 340101201420132, 340101201420133, 340101201420151 to 340101201420155, 340101201420216, 340101201420217, 340101201420241 to 340101201420252, 340101201420284 to 340101201420295, 340101201420297, 340101201432011, 340101201432015, 340101201432016, 34010120150007, 340101201520272 to 340101201520275, 340101201520300 to 340101201520302, 340101201520346, 340101201520347, 340101201520388 to 340101201520390 in favour of Hefei Hailiang Investment, Hefei Hailiang Palais Jardin with a total gross floor area of approximately 627,570.63 sq.m. has been approved for construction.
5. Pursuant to 28 Construction Work Commencement Permits — Nos 013313032600331, 013313050600508, 013313062800767, 013313071900873, 013313071900874, 013313081201025, 013313091301198, 013313092901272, 013313103001410, 013313111801500, 013313112601545, 013315082800210, 013315092400267, 013315103000318, 013315103000319, 013315111700349, 013316031700074, 013316041200126, 013316042600154, 34013613120401S01 to 34013613120401S08 and 34013613120401S10 in favour of Hefei Hailiang Investment, permissions by the relevant local authority were given to commence the construction of Hefei Hailiang Palais Jardin with a gross floor area of approximately 678,538.70 sq.m.
6. Pursuant to 76 Pre-sale Permits — He Fang Yu Shou Zheng Zi Di Nos 20130413 to 20130417, 20130443 to 20130447, 20130464, 20130531, 20130532, 20130604, 20130686, 20130726, 20130786, 20130787, 20130845, 20130910, 20130927, 20131017, 20131018, 20140058, 20140067, 20140068, 20140245, 20140267, 20140441 to 20140448, 20140467, 20140468, 20140515, 20140617 to 20140620, 20140700, 20140826 to 20140830, 20140862, 20140977, 20150024, 20150263, 20150538 to 20150540, 20150554, 201508237, 20150914, 20150915, 20151176 to 20151178, 20160547, 20160548, 20160787 to 20160794, 20170437, 20170438 and 20170760 in favour of Hefei Hailiang Investment, the Target Group is entitled to sell portions of Hefei Hailiang Palais Jardin (representing a total gross floor area of approximately 526,552.60 sq.m.) to purchasers.
7. Pursuant to 89 Construction Work Completion and Inspection Tables in favour of Hefei Hailiang Investment, the construction of Hefei Hailiang Palais Jardin with a total gross floor area of approximately 612,440.67 sq.m. has been completed and passed the inspection acceptance.

8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	37,217.28	
	Retail	1,738.32	
	Total:	38,955.60	N/A

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and retail units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB9,000 to RMB14,000 per sq.m. for residential units and RMB4,000 to RMB12,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- Hefei Hailiang Investment is legally and validly in possession of the land use rights of the property. Hefei Hailiang Investment has the rights to occupy, use, lease and dispose of the land parcels of the property;
- Hefei Hailiang Investment has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- For the portions of the property of which the Pre-sale Permits have been obtained, Hefei Hailiang Investment has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- For the property which has completed and passed final acceptance of construction, Hefei Hailiang Investment has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Building Ownership Certificate | No |
| d. | Construction Land Planning Permit | Yes |
| e. | Construction Work Planning Permit | Yes |
| f. | Construction Work Commencement Permit | Yes |
| g. | Pre-sale Permit | Portion |
| h. | Construction Work Completion and Inspection Certificate/Table/Report | Yes |

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
17.	Portions of Hefei Hailiang Rubellite located at the intersection of Qingyang Road and Pihe Road Shushan District Hefei City Anhui Province The PRC (海亮•熙園)	<p>Hehfei Hailiang Rubellite is located at intersection of Yijing Road and Guzhen Road. It is well served with public transportation. The locality is a residential area with several residential developments with street front shops, schools, supermarkets, hospital and parks.</p> <p>Hefei Hailiang Rubellite occupies a parcel of land with a site area of approximately 10,508.18 sq.m., which had been developed into a residential development. The project was completed in 2015, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hefei Hailiang Rubellite with a total gross floor area of approximately 642.51 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for a term expiring on 1 July 2073 for residential use.</p>	As at the valuation date, the property was held for sale.	2,480,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — He Guo Yong (2012) Di No. 069, the land use rights of the aforesaid land parcel with a site area of approximately 10,508.18 sq.m. have been granted to Anhui Hailiang Property Co., Ltd. (安徽海亮房地產有限公司, “Anhui Hailiang”) for a term of 70 years expiring on 1 July 2073 for residential use.
2. Pursuant to a Construction Land Planning Permit — He Gui Di No. 2001152, permission towards the planning of a parcel of land with a site area of approximately 414,629.00 sq.m. (including the property) has been granted to Anhui Hailiang.
3. Pursuant to 3 Construction Work Planning Permits — He Gui Jian Min Xu Nos. 2013157 and 2013101 and Jian Zi Di 340104201610006 in favour of Anhui Hailiang, Hefei Hailiang Rubellite with a total gross floor area of approximately 26,838.55 sq.m. has been approved for construction.
4. Pursuant to 2 Construction Work Commencement Permits — Nos. 10013042800489 and 10015020500015 in favour of Anhui Hailiang, permissions by the relevant local authority were given to commence the construction of Hefei Hailiang Rubellite with a total gross floor area of approximately 26,838.55 sq.m.
5. Pursuant to 3 Pre-sale Permits — He Fang Yu Shou Zheng Di Nos. 20130269, 20130270 and 20141032 in favour of Anhui Hailiang, the Target Group is entitled to sell portions of Hefei Hailiang Rubellite (representing a total gross floor area of approximately 23,288.45 sq.m.) to purchasers.
6. Pursuant to 3 Construction Work Completion and Inspection Tables — Nos. 236801-236803 in favour of Anhui Hailiang, the construction of Hefei Hailiang Rubellite with a total gross floor area of approximately 26,866.55 sq.m. has been completed and passed the inspection acceptance.
7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Retail	22.98	
	Car parking spaces	619.53	19
	Total:	642.51	19

8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are retail units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB10,000 to RMB40,000 per sq.m. for retail units and RMB70,000 to RMB80,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Anhui Hailiang is legally and validly in possession of the land use rights of the property. Anhui Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Anhui Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property which the Pre-sale Permits have been obtained, Anhui Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Anhui Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	No
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

11. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
18.	Portions of Hefei Orchid Land located at the intersection of South Erhuan Road and North Erhuan Raod Luyang District Hefei City Anhui Province The PRC (海亮•蘭郡)	<p>Hefei Orchid Land is located at intersection of South Erhuan Road and North Erhuan Road. It is well served with public transportation. The locality is a residential area with several residential developments with street front shops and parks.</p> <p>Hefei Orchid Land occupies 3 parcels of land with a total site area of approximately 164,126.86 sq.m., which had been developed into a residential-commercial development. The project was completed in 2015, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hefei Orchid Land Garden with a total gross floor area of approximately 13,871.80 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for a term expiring on 12 October 2076 for residential use.</p>	As at the valuation date, the property was held for sale.	146,190,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 1 March 2004, the land use rights of 3 parcels of land with a total site area of approximately 162,418.05 sq.m. were contracted to be granted to Anhui Hailiang Property Co., Ltd.(安徽海亮房地產有限公司, “Anhui Hailiang”) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB82,092,579.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 340103201000015, permission towards the planning of the aforesaid land parcels with a total site area of approximately 164,982.69 sq.m. has been granted to Anhui Hailiang.
3. Pursuant to 3 State-owned Land Use Rights Certificates — He Guo Yong (2012) Di Nos. 068 and 132 and He Guo Yong (2015) No. 126, the land use rights of the aforesaid land parcel with a total site area of approximately 164,126.86 sq.m. have been granted to Anhui Hailiang for a term of 70 years expiring on 12 October 2076 for residential use.
4. Pursuant to 23 Construction Work Planning Permits — He Gui Jian Min Xu Nos. 2010078 to 2010280, 2012246 to 2012251, 2012296, 2012344 to 2012346, 2014080, 2014139, 2014181, 2014182, 2014338, 2014355, 2014574, 2014575, 2015280 and 2015281 in favour of Anhui Hailiang, Hefei Orchid Land with a total gross floor area of approximately 238,659.59 sq.m. has been approved for construction.
5. Pursuant to 12 Construction Work Commencement Permits — Nos. 010010030001, 010070022, 010010030028, 34010313121103S01, 34010313121103S02, 34010313121103S05 to 34010313121103S09, 010012051800529 and 010012071000761 in favour of Anhui Hailiang, permissions by the relevant local authority were given to commence the construction of Hefei Orchid Land with a total gross floor area of approximately 243,227.67 sq.m.
6. Pursuant to 74 Pre-sale Permits — He Fang Yu Shou Zheng Di Nos. 20120205, 20160362, 20110040 to 20110045, 20110173, 20110208 to 20110220, 20120167 to 20120172, 20120174 to 20120177, 20120204, 20120254, 20120347 to 20120349, 20120418, 20120419, 20120433, 20130253 to 20130261, 20140243, 20140244, 20140253, 20140259, 20140354, 20140355, 20140375 to 20140378, 20140495, 20140496, 20140607 to 20140609, 20140624, 20140625, 20140951, 20140952, 20140978, 20140979, 20141071, 20141072, 20150182, 20150183 in favour of Anhui Hailiang, the Target Group is entitled to sell portions of Hefei Orchid Land (representing a total gross floor area of approximately 222,166.13 sq.m.) to purchasers.
7. Pursuant to 75 Construction Work Completion and Inspection Tables and 2 Construction Work Completion and Inspection Reports in favour of Anhui Hailiang, the construction of Hefei Orchid Land with a total gross floor area of approximately 241,895.63 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	3,900.64	
	Retail	9,971.16	
	Total:	13,871.80	N/A

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and retail units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB9,000 to RMB17,000 per sq.m. for residential units and RMB13,000 to RMB15,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Anhui Hailiang is legally and validly in possession of the land use rights of the property. Anhui Hailiang has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Anhui Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Anhui Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Anhui Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
19.	Portions of Rubellite Mansion located at the intersection of Yijing Road and Guzhen Road Luyang District Hefei City Anhui Province The PRC (紅璽台公館)	<p>Rubellite Mansion is located at the intersection of Yijing Road and Guzhen Road. It is well served with public transportation. The locality is a residential area with several residential developments with schools and parks.</p> <p>Rubellite Mansion occupies a parcel of land with a site area of approximately 61,411.57 sq.m., which had been developed into a residential and commercial development. The project was completed between 2016 and March 2017, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Rubellite Mansion with a total gross floor area of approximately 33,874.08 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for a term expiring on 23 December 2083 for residential use.</p>	As at the valuation date, the property was held for sale.	450,150,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — He Di Shi Jing Ying No. 2013192 dated 13 December 2012, the land use rights of a parcel of land with a site area of approximately 61,411.57 sq.m. were granted to Anhui Hailiang Property Co., Ltd. (安徽海亮房地產有限公司, “Anhui Hailiang”, the Target Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB667,850,824.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 340103201400001, permission towards the planning of the aforesaid land parcel with a site area of approximately 61,411.57 sq.m. has been granted to Anhui Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — He Guo Yong (2014) Di No. 347, the land use right of the aforesaid land parcel with a site area of approximately 61,411.57 sq.m. has been granted to Anhui Hailiang for a term of 70 years expiring on 23 December 2083 for residential use.
4. Pursuant to 10 Construction Work Planning Permits — Jian Zi Di Nos. 340103201610052, 340103201610053, 340103201610054, 340103201610055, 340103201610056, 340103201610057, 340103201710014, 340103201610105, 340103201610067 and 340103201610068 in favour of Anhui Hailiang, Rubellite Mansion with a total gross floor area of approximately 192,995.01 sq.m. has been approved for construction.
5. Pursuant to 6 Construction Work Commencement Permits — Nos. 34010314031301S02, 34010314031301S03, 34010314081302S04, 34010314081302S05, 34010314081302S07 and 34010314081302S09 in favour of Anhui Hailiang, permissions by the relevant local authority were given to commence the construction of Rubellite Mansion with a gross floor area of approximately 193,053.31 sq.m.
6. Pursuant to 24 Pre-sale Permits — He Fang Yu Shou Zheng Nos. 20140706, 20140707, 20140708, 20140709, 20150555, 20140751, 20150349, 20140710, 20151004, 20160471, 20160472, 20151106, 20160360, 20160361, 20151213, 20151104, 20150898, 20150899, 20140711, 20140712, 20151214, 20151105, 20140713 and 20170296 in favour of Anhui Hailiang, the Target Group is entitled to sell portions of Rubellite Mansion (representing a total gross floor area of approximately 177,048.29 sq.m.) to purchasers.
7. Pursuant to 26 Construction Work Completion and Inspection Reports in favour of Anhui Hailiang, the construction of Rubellite Mansion with a total gross floor area of approximately 192,474.17 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	8,024.95	
	Retail	5,244.04	
	Car parking spaces	20,605.09	730
	Total:	33,874.08	730

9. As advised by the Target Group, various retail and car parking units with a total gross floor area of approximately 7,677.61 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB69,186,523. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB20,800 to RMB22,000 per sq.m. for residential units, RMB18,000 to RMB40,000 per sq.m. for retail units and RMB120,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Anhui Hailiang is legally and validly in possession of the land use rights of the property. Anhui Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Anhui Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Anhui Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Anhui Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

13. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
20.	Portions of Phase III of Hailiang Sunny Riverside No. 353 Tao Hua Tan Xi Road Jingxian County Xuancheng City Anhui Province The PRC (宣城海亮•陽光水 岸)	<p>Phase III of Hailiang Sunny Riverside is located at No. 353 Tao Hua Tan Xi Road. The locality is a newly-developed area with a few residential developments with street front shops, schools and hospital.</p> <p>Phase III of Hailiang Sunny Riverside occupies a parcel of land with a site area of approximately 50,613.60 sq.m., which had been developed into a residential and commercial development. The project was completed in 2014, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p>	<p>As at the valuation date, the property was held for sale.</p>	17,090,000
		<p>As at the valuation date, the property comprised the unsold units of Phase III of Hailiang Sunny Riverside with a total gross floor area of approximately 4,367.59 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>		
		<p>The land use rights of the property have been granted for the terms expiring on 30 November 2048 for commercial use and 30 November 2078 for residential use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 May 2008, the land use rights of a parcel of land with a site area of approximately 122,791.70 sq.m. (including the property) were contracted to be granted to Anhui Hailiang Property Co., Ltd., Jingxian Branch (安徽海亮房地產有限公司涇縣分公司, “Hailiang Jingxian”) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB133,000,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341823200900011 and the aforesaid supplementary contract, permission towards the planning of the aforesaid land parcel with a site area of approximately 122,791.70 sq.m. (including the property) has been granted to Hailiang Jingxian.
3. Pursuant to a State-owned Land Use Rights Certificate — Jing Guo Yong (2012) Di No. 473, the land use rights of a parcel of land with a site area of approximately 50,613.60 sq.m. have been granted to Hailiang Jingxian for the terms of 70 years expiring on 30 November 2078 for residential use and 40 years expiring on 30 November 2048 for commercial use.
4. Pursuant to 6 Construction Work Planning Permits — Jian Zi Di Nos. 341823201200233, 341823201200036, 341823201200207, 341823201300634, 341823201100018 and 341823201300136 in favour of Hailiang Jingxian, Phase III of Hailiang Sunny Riverside with a total gross floor area of approximately 110,070.07 sq.m. has been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — Nos. 34182320131126301, 341823201209260101, 341823201205180101 and 341823201206290101 in favour of Hailiang Jingxian, permissions by the relevant local authority were given to commence the construction of Phase III of Hailiang Sunny Riverside with a total gross floor area of approximately 109,804.87 sq.m.
6. Pursuant to 12 Pre-sale Permits — (Jing) Fang Yu Shou Zheng Di Nos. 180, 816, 0170, 176, 185, 172, 184, 169, 166, 175, 165 and 0211 in favour of Hailiang Jingxian, the Target Group is entitled to sell portions of Phase III of Hailiang Sunny Riverside (representing a total gross floor area of approximately 104,143.01 sq.m.) to purchasers.
7. Pursuant to 22 Construction Work Completion and Inspection Tables in favour of Hailiang Jingxian, the construction of Phase III of Hailiang Sunny Riverside with a total gross floor area of approximately 110,071.33 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Retail	4,367.59	
	Total:	4,367.59	N/A

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are retail units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB3,000 to RMB8,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Hailiang Jingxian is legally and validly in possession of the land use rights of the property. Hailiang Jingxian has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Hailiang Jingxian has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the property of which the Pre-sale Permits have been obtained, Hailiang Jingxian has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Hailiang Jingxian has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments;

11. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
21.	Portions of Hailiang Heavenly Mansion located at the western side of Chuang Ye Road Jingxian County Xuancheng City Anhui Province The PRC (涇縣海亮•天御)	<p>Hailiang Heavenly Mansion is located at the western side of Chuang Ye Road. The locality is a newly-developed area.</p> <p>Hailiang Heavenly Mansion occupies 2 parcels of land with a total site area of approximately 140,000.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2015 and 2016, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in June 2020. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 108,818.92 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Hailiang Heavenly Mansion with a total gross floor area of approximately 113,574.09 sq.m. The classification, usage and gross floor area details of the property were set out in note 9.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	359,310,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB237,000,000, of which approximately RMB149,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 27 August 2083 for residential use and 27 August 2053 for commercial use.		

Notes:

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts both dated 28 April 2013, the land use rights of 2 parcels of land with a total site area of approximately 140,000.00 sq.m. were contracted to be granted Anhui Hailiang Property Co., Ltd., Jingxian Branch (安徽海亮房地產有限公司涇縣分公司, "Hailiang Jingxian") for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB221,000,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341823201300247, permission towards the planning of the aforesaid land parcels with a total site area of approximately 140,000.00 sq.m. has been granted to Hailiang Jingxian.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Jing Guo Yong (2013) Di No. 2640 and Jing Guo Yong (2015) Di No. 0082, the land use rights of the aforesaid land parcels with a total site area of approximately 140,000.00 sq.m. have been granted to Hailiang Jingxian for the terms of 70 years expiring on 27 August 2083 for residential use and 40 years expiring on 27 August 2053 for commercial use.
4. Pursuant to 6 Construction Work Planning Permits — Jian Zi Di Nos. 341823201300496, 341823201300553, 341823201300684, 341823201700057, 341823201700165 and 341823201700246 in favour of Hailiang Jingxian, Hailiang Heavenly Mansion with a total gross floor area of approximately 233,990.59 sq.m. has been approved for construction.
5. Pursuant to 6 Construction Work Commencement Permits — Nos. 34182313112901S01, 34182313112902S01, 341823201309170101 and 34182314030602S01 to 34182314030602S03 in favour of Hailiang Jingxian, permissions by the relevant local authority were given to commence the construction of Hailiang Heavenly Mansion with a total gross floor area of approximately 233,990.59 sq.m.

6. Pursuant to 14 Pre-sale Permits — (Jing) Fang Yu Shou Zheng Di Nos. 0203, 0205, 0216, 0220, 0229, 0243, 0289, 0309, 0311, 0312, 0316, 0319, 0322 and 0328 in favour of Hailiang Jingxian, the Target Group is entitled to sell portions of Hailiang Heavenly Mansion (representing a total gross floor area of approximately 170,725.87 sq.m.) to purchasers.
7. Pursuant to 31 Construction Work Completion and Inspection Reports in favour of Hailiang Jingxian, the construction of portions of Hailiang Heavenly Mansion with a total gross floor area of approximately 119,963.19 sq.m. has been completed and passed the inspection acceptance.
8. Pursuant to a Real Estate Title Certificate — Fang Di Quan Zheng Jing Xian Zi Di No. 2016043462 in favour of Hailiang Jingxian, a commercial building of Hailiang Heavenly Mansion with a gross floor area of approximately 2,168.23 sq.m. is owned by Hailiang Jingxian.
9. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	2,586.94	
	Retail	2,168.23	
	Sub-total:	4,755.17	
Group III — held under development by the Target Group	Residential	103,913.67	
	Retail	905.59	
	Basement (inclusive of car parking spaces)	3,999.66	
	Sub-total:	108,818.92	N/A
	Total:	113,574.09	N/A

10. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 35,536.93 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB148,381,634. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
11. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB459,000,000.
12. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and retail units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB3,500 to RMB11,000 per sq.m. for residential units and RMB3,200 to RMB4,500 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and

physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Hailiang Jingxian is legally and validly in possession of the land use rights of the property. Hailiang Jingxian has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Hailiang Jingxian has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Hailiang Jingxian has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits;
- d. For the portions of the property which have completed and passed final acceptance of construction, Hailiang Jingxian has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments; and
- e. For the buildings mentioned in note 8, Hailiang Jingxian is the owner of the portions of property and has the rights to legally occupy, use, lease and dispose of.

14. A summary of major certificates/approvals is shown as follows:

a. State-owned Construction Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Real Estate Title Certificate	Portion
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	31,830,000
Group III — held under development by the Target Group	327,480,000
Total:	359,310,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
22.	Portions of Hailiang British Polis located at the eastern side of Binhe Road Guangde County Xuancheng City Anhui Province The PRC (廣德海亮•英倫城邦)	<p>Hailiang British Polis is located at the eastern side of Binhe Road. It is well served with public transportation. The locality is a residential area with several residential developments with schools and parks.</p> <p>Hailiang British Polis occupies 4 parcels of land with a total site area of approximately 298,954.50 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2010 and 2011, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in June 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 46,405.28 sq.m.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Hailiang British Polis with a total gross floor area of approximately 53,024.12 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	155,770,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB95,000,000, of which approximately RMB53,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 25 March 2078 for residential use and 25 March 2048 for commercial use.		

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contracts dated 25 March 2008 and a supplementary contract in January 2012, the land use rights of 4 parcels of land with a total site area of approximately 298,946.60 sq.m. were contracted to be granted to Anhui Hailiang Property Co., Ltd. Guangde Branch (安徽海亮房地產有限公司廣德分公司, “Guangde Hailiang”) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB346,742,800.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 341822080900001 and the aforesaid supplementary contract, permission towards the planning of the aforesaid land parcels with a total site area of approximately 290,048.10 sq.m. has been granted to Guangde Hailiang.
3. Pursuant to 4 State-owned Land Use Rights Certificates — Guang Kai Guo Yong (2009) Di No. 0182, Guang Kai Guo Yong (2012) Di No. 1577, Guang Kai Guo Yong (2012) Di No. 1896 and Guang Kai Guo Yong (2012) Di No. 1897, the land use rights of the aforesaid land parcel with a site area of approximately 298,954.50 sq.m. have been granted to Guangde Hailiang for terms of 70 years expiring on 25 March 2078 for residential use and 40 years expiring on 25 March 2048 for commercial use.
4. Pursuant to 20 Construction Work Planning Permits — Nos. 3418220909000037, 3418220812000010, 3418220904000002, 3418220909000043, 34182208100005, 3418221210000103, 3418221206000061, 3418221204000040, 3418221211000113, 3418221301000008, 3418221208000081, 3418221209000094, 3418221305000049, 3418221305000050, 3418221504000030, 3418221405000045, 3418221310000129, 3418221504000041, 3418221504000033 and 3418221604000012 in favour of Guangde Hailiang, Hailiang British Polis with a total gross floor area of approximately 400,856.86 sq.m. has been approved for construction.

5. Pursuant to 22 Construction Work Commencement Permits Nos. 341822200920230101, 341822200920230201, 341822200920230301, 341822200920230401, 341822200920230501, 341822200920230601, 182209002, 341822201208100101, 341822201210220101, 341822201211120101, 341822201210170101, 341822201208100101, 341822201304260301, 341822201209210101, 341822201306170201, 341822201209250201, 31822201207170101, 341822201204240101, 34200014051406S02, 34200014030301S02, 341822201311150101 and 3420001604070101-SX-001, in favour of Guangde Hailiang, permissions by the relevant local authority were given to commence the construction of Hailiang British Polis with a total gross floor area of approximately 438,431.24 sq.m.
6. Pursuant to 57 Pre-sale Permits — (Grang De) Fang Yu Shou Zheng No. 0370-0374, 0410-0411, 0432-0437, 0447-0449, 0467, Guang Shou Xu Zi (2012) No. 0009, 0013, 0017-0019, 0029-0031, 0040-0042, 0047-0049, 0052-0053, Guang Shou Xu Zi (2013) No. 0008-0009, 0015-0018, 0030, 0033, 0042, 0047, 0055, Guang Shou Xu Zi (2014) No. 0005, 0019, Guang Shou Xu Zi (2015) No. 0009, Guang Shou Xu Zi (2016) No. 0011, 0019, 0024, 0032, 0034, 0037, Guang Shou Xu Zi (2017) Nos. 0001 and 0003, in favour of Guangde Hailiang, the Target Group is entitled to sell portions of Hailiang British Polis (representing a total gross floor area of approximately 316,095.21 sq.m. to purchasers.
7. Pursuant to 5 Construction Work Completion and Inspection Reports in favour of Guangde Hailiang, the construction of portions of Hailiang British Polis with a total gross floor area of approximately 341,658.36 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	1,317.07	
	Retail	5,301.77	
	Sub-total:	6,618.84	
Group III — held under development by the Target Group	Residential	41,470.86	
	Retail	2,133.32	
	Ancillary	2,801.10	
	Sub-total:	46,405.28	
	Total:	53,024.12	N/A

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 43,227.06 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB181,851,507. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB181,850,000.

11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and retail units within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,200 to RMB5,100 per sq.m. for residential units and RMB4,800 to RMB11,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Guangde Hailiang is legally and validly in possession of the land use rights of the property. Guangde Hailiang has the rights to occupy, use, lease and dispose of the land parcels of the property;
- b. Guangde Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Guangde Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Guangde Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a. State-owned Construction Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	37,980,000
Group III — held under development by the Target Group	117,790,000
Total:	155,770,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
23.	Hailiang Time ONE located at the intersection of Huayuan Road and Longmen Road Jinshui District Zhengzhou City Henan Province The PRC (海亮時代ONE)	<p>Hailiang Time ONE is located at the around the main residential construction and new projects. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hailiang Time ONE occupies 2 parcels of land with a total site area of approximately 50,053.14 sq.m., which is being developed into a commercial development. The project was under construction as at the valuation date and is scheduled to be completed in December 2018. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 306,868.17 sq.m.</p>	As at the valuation date, the property was under construction.	2,253,050,000
		<p>As at the valuation date, the property comprised the whole project of Hailiang Time ONE. The classification, usage and gross floor area details of the property were set out in note 7.</p>		
		<p>As advised by the Target Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,001,000,000, of which approximately RMB595,000,000 had been paid as at the valuation date.</p>		

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
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The land use rights of the property have been granted for the terms expiring on 4 May 2055 and 9 May 2055 for commercial use.

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — No. 410100-CR-2015-0878-12694 dated 5 February 2015 and No. 410100-CR-2015-0884-12725 dated 10 February 2015, the land use rights of 2 parcels of land with a total site area of approximately 50,053.14 sq.m. were contracted to be granted to Zhengzhou Hai Liang Real Estate Development Co., Ltd. (鄭州海亮房地產開發有限公司, “Zhengzhou Hailiang”, wholly-owned subsidiary of the Target Companies) for the terms of 40 years for commercial use commencing from the land delivery date. The land premium was RMB 690,770,000.
2. Pursuant to 2 Construction Land Planning Permits — Zheng Gui Di Zi Nos. 410100201509068 and 410100201509070, permissions towards the planning of the aforesaid land parcels with a total site area of approximately 50,052.34 sq.m. have been granted to Zhengzhou Hailiang.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Zheng Guo Yong (2015) Di Nos. 0179 and 0180, the land use rights of the aforesaid land parcels with a total site area of approximately 50,053.14 sq.m. have been granted to Zhengzhou Hailiang for the terms expiring on 4 May 2055 and 9 May 2055 for commercial use.
4. Pursuant to 2 Construction Work Planning Permits — Zheng Gui Jian Zi Di Nos. 4101002011609044 and 410100201609054 in favour of Zhengzhou Hailiang, Hailiang Time ONE with a total gross floor area of approximately 306,868.17 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 410102201605270101 and 410100201701120101 in favour of Zhengzhou Hailiang, permissions by the relevant local authority were given to commence the construction of Hailiang Time ONE with a total gross floor area of approximately 306,868.17 sq.m.
6. Pursuant to 6 Pre-sale Permits — (2016) Zheng Fang Guan Yu Zi Di No. 3813, 3777 and 3839 and (2017) Zheng Fang Guan Yu Zi Di Nos. 4076, 4028 and 4027 in favour of Zhengzhou Hailiang, the Target Group is entitled to sell portions of Hailiang Time ONE (representing a total gross floor area of approximately 162,304.39 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Apartment	165,863.20	
	Retail	42,811.42	
	Ancillary	3,293.28	
	Basement (inclusive of car parking spaces)	94,900.27	3,180
	Total:	306,868.17	3,180

8. As advised by the Target Group, various apartment and retail units with a total gross floor area of approximately 105,593.67 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,208,666,010. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB3,067,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB11,000 to RMB15,000 per sq.m. for apartment units, RMB20,000 to RMB29,000 per sq.m. for retail units and RMB110,000 to RMB120,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Zhengzhou Hailiang is legally and validly in possession of the land use rights of the property. Zhengzhou Hailiang has the rights to occupy, use, lease and dispose of the land parcels of the property;
 - Zhengzhou Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - For the portions of the property of which the Pre-sale Permits have been obtained, Zhengzhou Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
24.	Portions of Hai Liang Xin Ying Li located at the eastern side of Xi Feng Road and the southern side of Yan Huan Road Yanta District Xi'an City Shaanxi Province The PRC (海亮•新英里)	<p>Hai Liang Xin Ying Li is located at the eastern side of Xi Feng Road and the southern side of Yan Huan Road. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>The project occupies 3 parcels of land with a total site area of approximately 103,317.33 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2016 and July 2017, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The construction of the remaining portion of the project (the “bare land”) had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units and bare land of Hai Liang Xin Ying Li with a total gross floor area of approximately 293,043.11 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	<p>As at the valuation date, the unsold units of the property were vacant, and the remaining portion of the property was bare land.</p>	1,692,490,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
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The land use rights of the property have been granted for the terms expiring on 14 February 2084 for residential use, 14 February 2064 for educational use and 14 February 2054 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 29907 dated 15 January 2013 and a supplementary contract dated 16 April 2014, the land use rights of 3 parcels of land with a total site area of approximately 103,317.34 sq.m. were contracted to be granted to Xi'an Hai Kuo Real Estate Development Co., Ltd. (西安海闊房地產開發有限公司, "Xi'an Hai Kuo Real Estate", a 95%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use, 50 years for educational use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB992,000,000.
2. Pursuant to a Construction Land Planning Permit — Xi Gui Di Zi Di No. (2014)034, permission towards the planning of the aforesaid land parcels with a total site area of approximately 103,317.33 sq.m. has been granted to Xi'an Hai Kuo Real Estate.
3. Pursuant to 3 State-owned Land Use Rights Certificates — Xi Yan Guo Yong (2014) Di No. 156, Xi Yan Guo Yong (2014 Chu) Di Nos. 155 and 157, the land use rights of the aforesaid land parcels with a total site area of approximately 103,317.33 sq.m. have been granted to Xi'an Hai Kuo Real Estate for the terms expiring on 14 February 2084 for residential use, 14 February 2064 for educational use and 14 February 2054 for commercial use.
4. Pursuant to 2 Construction Work Planning Permits — Xi Gui Jian Zi Di (2014) No. 045 and Xi Gui Jian Zi Di (2015) No. 002 in favour of Xi'an Hai Kuo Real Estate, portions of Hai Liang Xin Ying Li with a total gross floor area of approximately 327,189.45 sq.m. have been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — 2014 Nian No. 0074, 2015 Nian No. 0005, Nos 6101132015014010101 and 6101132015014290201 in favour of Xi'an Hai Kuo Real Estate, permissions by the relevant local authority were given to commence the construction of portions of Hai Liang Xin Ying Li with a total gross floor area of approximately 326,977.00 sq.m.
6. Pursuant to 10 Pre-sale Permits — Shi Fang Yu Shou Zi Di Nos. 2014476, 2014433, 2015218, 2015050, 2016205, 2015123, 2015325, 2016083, 2017013 and 2017287 in favour of Xi'an Hai Kuo Real Estate, the Target Group is entitled to sell portions of Hai Liang Xin Ying Li (representing a total gross floor area of approximately 290,156.34 sq.m.) to purchasers.
7. Pursuant to 18 Construction Work Completion and Inspection Tables in favour of Xi'an Hai Kuo Real Estate, the construction of portions of Hai Liang Xin Ying Li with a total gross floor area of approximately 243,362.28 sq.m. has been completed and passed the inspection acceptance.

8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	112,801.64	
	Retail	21,871.27	
	Car parking spaces	54,919.00	2,056
	Sub-total:	189,591.91	2,056
Group IV — held for future development by the Target Group	Apartment	77,259.80	
	Retail	4,828.40	
	Hotel	5,276.80	
	Basement (inclusive of car parking spaces)	16,086.20	N/A
	Sub-total:	103,451.20	N/A
	Total:	293,043.11	2,056

9. Our valuation has been made on the following basis and analysis:

- a. For the unsold units of the property in Group II, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB6,000 to RMB13,000 per sq.m. for residential units, RMB7,000 to RMB30,000 per sq.m. for retail units and RMB100,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and
- b. For the bare land of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Yanta District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB2,000 to RMB3,200 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. 2 parcels of land and the construction work of the property are subject to mortgages;
- b. Xi'an Hai Kuo Real Estate is legally and validly in possession of the land use rights of the property. Xi'an Hai Kuo Real Estate has the rights to occupy, use, lease and dispose of the land parcels of the property except the mortgaged land parcels. For the land parcels which are subject to the mortgage, Xi'an Hai Kuo Real Estate has the rights to occupy and use, but their transfer is subject to the mortgage until the mortgage has been released;
- c. Xi'an Hai Kuo Real Estate has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Xi'an Hai Kuo Real Estate has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- e. For the portions of the property which have completed and passed final acceptance of construction, Xi'an Hai Kuo Real Estate has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Portion
f. Construction Work Commencement Permit	Portion
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

12. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	1,467,000,000
Group IV — held for future development by the Target Group	225,490,000
Total:	1,692,490,000

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
25. Hai Liang De Wen Jun located at Guo She Street Changan District Xi'an City Shaanxi Province The PRC (海亮•德文郡)	<p>Hai Liang De Wen Jun is located at Guo She Street. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang De Wen Jun occupies 2 parcels of land with a total site area of approximately 69,763.41 sq.m., which will be developed into a residential and commercial development with a total gross floor area of approximately 279,877.52 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Hai Liang De Wen Jun. The classification, usage and gross floor area details of the property were set out in note 3.</p> <p>The land use rights of the property have been granted for the terms expiring on 23 March 2087 for residential use and 23 March 2057 for commercial use.</p>	As at the valuation date, the property was bare land.	757,800,000

Notes:

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts dated 30 December 2016, 2 parcels of land with a total site area of approximately 69,763.41 sq.m. were contracted to be granted to Xi'an Hai Ling Real Estate Development Co., Ltd. (西安海領房地產開發有限公司, "Xi'an Hai Ling", a 73.15%-owned subsidiary of the Target Companies) for the terms of 40 years for commercial use and 70 years for residential use commencing from the land delivery date. The land premium was RMB114,400,000.
2. Pursuant to 2 State-owned Land Use Rights Certificates — Shan 2017 Chang An Qu Bu Dong Chan Quan Di Nos. 0000037 and 0000038, the land use rights of the aforesaid 2 land parcels with a total site area of approximately 69,763.41 sq.m. have been granted to Xi'an Hai Ling for the terms expiring on 23 March 2087 for residential use and 23 March 2057 for commercial use.
3. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group IV — held for future development by the Target Group	Residential	205,975.40	
	Retail	14,298.60	
	Ancillary	4,964.00	
	Basement (inclusive of car parking spaces)	54,639.52	571
	Total:	279,877.52	571

4. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Changan District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB2,800 to RMB3,600 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. 2 parcels of land of the property are subject to mortgages; and
 - b. Xi'an Hai Ling is legally and validly in possession of the land use rights of the property. Xi'an Hai Ling has the rights to occupy and use, but their transfer is subject to the mortgage until the mortgage has been released.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	No
e.	Construction Work Planning Permit	No
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

7. For the purpose of this report, the property is classified into the Target Group as “Group IV — held for future development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
26.	Hai Liang Tang Ning Fu located at the western side of Heng Tong Er Road and the southern side of Yue Deng Ge Road Chanba Ecological District Xi'an City Shaanxi Province The PRC (海亮•唐寧府)	<p>Hai Liang Tang Ning Fu is located at the western side of Heng Tong Er Road and the southern side of Yue Deng Ge Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Hai Liang Tang Ning Fu comprises a parcel of land with a site area of approximately 70,065.04 sq.m., which is being developed into a residential and commercial development. There are 2 Phases in the project, the Phase I was under construction (the "CIP") as at the valuation date and is scheduled to be completed in June 2020. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 131,649.02 sq.m. The construction of the Phase II of the project (the "bare land") had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Hai Liang Tang Ning Fu with a total gross floor area of approximately 267,799.96 sq.m. The classification, usage and gross floor area details of the property were set out in note 7.</p>	As at the valuation date, portions of the property were under construction and the remaining portion of the property was bare land.	1,132,010,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB451,000,000, of which approximately RMB93,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 30 October 2086 for residential use and 30 October 2056 for commercial service use.		

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — No. 2496101 dated 26 October 2016, the land use rights of a parcel of land with a site area of approximately 70,065.04 sq.m. were contracted to be granted to Shannxi Hai He Real Estate Development Co., Ltd. (陝西海和房地產開發有限公司, “Shaanxi Hai He”, a 48%-owned associated company of the Target Companies) for the terms of 40 years for commercial service use and 70 years for residential use commencing from the land delivery date. The land premium was RMB284,350,000.
2. Pursuant to a Construction Land Planning Permit — Chan Ba Gui Di Zi Di 2016 No. 022, permission towards the planning of the aforesaid land parcel with a site area of approximately 70,065.26 sq.m. has been granted to Shaanxi Hai He.
3. Pursuant to a State-owned Land Use Rights Certificate — Shaan (2017) Xi An Shi Du Dong Chan Quan Di No. 0000205, the land use rights of the aforesaid land parcel with a site area of approximately 70,065.04 sq.m. have been granted to Shaanxi Hai He for the terms expiring on 30 October 2086 for residential use and 30 October 2056 for commercial service use.
4. Pursuant to a Construction Work Planning Permit — Chan Ba Gui Jian Zi Di 2017 No. 008 in favour of Shaanxi Hai He, portions of Hai Liang Tang Ning Fu with a total gross floor area of approximately 267,799.96 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 610141201706140201 in favour of Shaanxi Hai He, permission by the relevant local authority was given to commence the construction of portions of Hai Liang Tang Ning Fu with a gross floor area of approximately 131,109.04 sq.m.
6. Pursuant to 2 Pre-sale Permits — Shi Fang Yu Shou Zi Di Nos. 2017059 and 2017383 in favour Shaanxi Hai He, the Target Group is entitled to sell portions of Hai Liang Tang Ning Fu (representing a total gross floor area of approximately 35,478 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	92,945.55	
	Retail	3,093.50	
	Basement (inclusive of car parking spaces)	35,609.97	963
	Sub-total:	131,649.02	963
Group IV — held for future development by the Target Group	Residential	93,982.61	
	Retail	2,601.04	
	Ancillary	3,560.00	
	Basement (inclusive of car parking spaces)	36,007.29	973
	Sub-total:	136,150.94	973
	Total:	267,799.96	1,936

8. As advised by the Target Group, various residential units with a total gross floor area of approximately 28,934.41 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB346,864,489. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,314,000,000.
10. Our valuation has been made on the following basis and analysis:
- For the portions of the property in Group III, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB11,000 to RMB12,500 per sq.m. for residential units, RMB28,000 to RMB30,000 per sq.m. for retail units and RMB160,000 to RMB165,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and
 - For the bare land of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area,

figure and accessibility of the property. The selected comparables are residential and commercial land in Chanba Ecological District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB4,300 to RMB5,300 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- a. The parcel of land and portions of the construction work of the property are subject to mortgages;
 - b. Shaanxi Hai He is legally and validly in possession of the land use rights of the property. Shaanxi Hai He has the rights to occupy and use, but its transfer is subject to the mortgage until the mortgage has been released;
 - c. Shaanxi Hai He has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permits have been obtained, Shaanxi Hai He has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:
- | | |
|---|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate | Yes |
| c. Building Ownership Certificate | No |
| d. Construction Land Planning Permit | Yes |
| e. Construction Work Planning Permit | Portion |
| f. Construction Work Commencement Permit | Portion |
| g. Pre-sale Permit | Portion |
| h. Construction Work Completion and Inspection Certificate/Table/Report | No |
13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group III — held under development by the Target Group	597,640,000
Group IV — held for future development by the Target Group	534,370,000
Total:	1,132,010,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
27.	Portions of Xi'an Hai Liang Xi Yue located at the eastern side of Shunxing Road and the western side of Hanlin Road Changan District Xi'an City Shaanxi Province The PRC (西安•海亮熙悦)	<p>Xi'an Hai Liang Xi Yue located at the eastern side of Shunxing Road and the western side of Hanlin Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development.</p> <p>Xi'an Hai Liang Xi Yue occupies a parcel of land with a site area of approximately 63,448.10 sq.m., which will be developed into a residential, SOHO and commercial development with a total gross floor area of approximately 300,534.00 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Xi'an Hai Liang Xi Yue. The classification, usage and gross floor area details of the property were set out in note 3.</p> <p>The land use rights of the property have been granted for the terms expiring on 7 September 2057 commercial use and 7 September 2087 for residential use.</p>	As at the valuation date, the property was bare land.	823,600,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — GF-2008-2601 dated 22 June 2017, the land use rights of a parcel of land with a site area of approximately 63,448.10 sq.m. were contracted to be granted to Shaanxi Sheng Shi Hai Hong Real Estate Development Co., Ltd. (陝西盛世海宏房地產開發有限公司, “Shaanxi Shengshi Haihong”, a 60.80%-owned subsidiary of the Target Companies) for the terms of 40 years for commercial use and 70 years for residential use commencing from the land delivery date. The land premium was RMB112,000,000.
2. Pursuant to a State-owned Land Use Rights Certificate — Shan (2017) Chang'an District Bu Dong Chan Quan Di No. 0000048, the land use rights of the aforesaid land parcel with a site area of approximately 63,448.10 sq.m. have been granted to Shaanxi Shengshi Haihong for the terms expiring on 7 September 2057 for commercial use and 7 September 2087 for residential use.
3. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group IV — held for future development by the Target Group	Residential	205,642.00	
	SOHO	22,432.00	
	Retail	16,000.00	
	Ancillary	7,180.00	
	Basement (inclusive of car parking spaces)	49,280.00	1,193
	Total:	300,534.00	1,193

4. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Changan District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB2,800 to RMB3,600 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

Shaanxi Shengshi Haihong is legally and validly in possession of the land use rights of the property. Shaanxi Shengshi Haihong has the rights to occupy, use, lease and dispose of the land parcel of the property.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	No
e.	Construction Work Planning Permit	No
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

7. For the purpose of this report, the property is classified into the Target Group as “Group IV — held for future development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
28.	Portions of Lanzhou Binhe Yi Hao located at the western side of Mogao Avenue and the northern side of Lanzhou City College Aning District Lanzhou City Gansu Province The PRC (蘭州海亮濱河壹號)	<p>Lanzhou Binhe Yi Hao is located at Aning district. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>Lanzhou Binhe Yi Hao occupies a parcel of land with a site area of approximately 78,533.00 sq.m., which had been developed into a residential development. The project was completed in 2016, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p>	<p>As at the valuation date, the property was held for sale.</p>	367,990,000
		<p>As at the valuation date, the property comprised the unsold units of Lanzhou Binhe Yi Hao with a total gross floor area of approximately 53,459.98 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>		
		<p>The land use rights of the property have been granted for the terms expiring on 21 July 2082 for residential use and 21 July 2052 for commercial use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Gan Rang A (Lan (2012) No. 23) dated 22 November 2012, the land use rights of a parcel of land with a site area of approximately 78,533.00 sq.m. were contracted to be granted to Lanzhou Hailiang Real Estate Development Co., Ltd. (蘭州海亮房地產開發有限公司, “Lanzhou Hailiang”, a 95%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB440,000,000.
2. Pursuant to a Construction Land Planning Permit — Lan Jing Kai Gui Jian Fang Di Zi Di No. 2012-41, permission towards the planning of the aforesaid land parcels with a site area of approximately 78,533.00 sq.m. has been granted to Lanzhou Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — Lan Guo Yong (2013) Di No. A0017, the land use rights of the aforesaid land parcel with a site area of approximately 78,533.00 sq.m. have been granted to Lanzhou Hailiang for the terms of 70 years expiring on 21 July 2082 for residential use and 21 July 2052 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Lan Jing Kai Gui Jian Fang Jian Zi Di No. 2013-23 in favour of Lanzhou Hailiang, Lanzhou Binhe Yi Hao with a total gross floor area of approximately 341,454.02 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 620105201308130101 and 620105201309250101 in favour of Lanzhou Hailiang, permissions by the relevant local authority were given to commence the construction of Lanzhou Binhe Yi Hao with a gross floor area of approximately 341,454.02 sq.m.
6. Pursuant to 8 Pre-sale Permits — Lan Fang Shang Yu Zi (2013) Di Nos. 035 and 058, Lan Fang Shang Yu Zi (2014) Di Nos. 01, 24, 52, 64 and 78, Lan Fang Shang Yu Zi (2015) Di No. 07 in favour of Lanzhou Hailiang, the Target Group is entitled to sell portions of Lanzhou Binhe Yi Hao (representing a total gross floor area of approximately 14,826.09 sq.m.) to purchasers.
7. Pursuant to 13 Construction Work Completion and Inspection Tables — Nos. 2015-16 to 2015-21 and Nos. 2016-15, 16 and 26-30 in favour of Lanzhou Hailiang, the construction of Lanzhou Binhe Yihao with a gross floor area of approximately 341,403.94 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	23,107.14	
	Retail	7,259.73	
	Car parking spaces	23,093.11	706
	Total:	53,459.98	706

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,000 to RMB9,000 per sq.m. for residential units, RMB20,000 to RMB27,000 per sq.m. for commercial units and RMB100,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Lanzhou Hailiang is legally and validly in possession of the land use rights of the property. Lanzhou Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Lanzhou Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Lanzhou Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Lanzhou Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
29.	Portions of Lanzhou Hailiang Heyuan located at the northern side of B462 Road and the eastearn side of S459 Road Chengguan District Lanzhou City Gansu Province The PRC (蘭州海亮和園)	<p>Lanzhou Hailiang Heyuan is located at Chengguan district. It is well served with public transportation. The locality is a residential area with several residential developments.</p> <p>Lanzhou Hailiang Heyuan occupies a parcel of land with a site area of approximately 28,040.20 sq.m., which had been developed into a residential development. The project was completed in 2016, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p>	As at the valuation date, the property was held for sale.	83,790,000
		<p>As at the valuation date, the property comprised the unsold units of Lanzhou Hailiang Heyuan with a total gross floor area of approximately 17,862.13 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>		
		<p>The land use rights of the property have been granted for terms expiring on 13 October 2083 for residential use and 13 October 2053 for commercial use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Gan Rang A (Lan (2012) No. 43) dated 15 August 2013, the land use rights of a parcel of land with a site area of approximately 28,040.20 sq.m. were contracted to be granted to Lanzhou Hailiang Real Estate Development Co., Ltd. (蘭州海亮房地產開發有限公司, “Lanzhou Hailiang”, a 95%-owned subsidiary of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB80,100,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 2013-145, permission towards the planning of the aforesaid land parcel with a site area of approximately 33,299.60 sq.m. has been granted to Lanzhou Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — Lan Guo Yong (2013) Di No. C08147, the land use rights of the aforesaid land parcel with a site area of approximately 28,040.20 sq.m. have been granted to Lanzhou Hailiang for terms of 70 years expiring on 13 October 2083 for residential use and 13 October 2053 for commercial use.
4. Pursuant to 2 Construction Work Planning Permits — Lan Gui Jian Zi Di Nos 620100201300211 and 620100201300212 in favour of Lanzhou Hailiang with a total gross floor area of approximately 92,397.34 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 620102201404240101 in favour of Lanzhou Hailiang, permission by the relevant local authority was given to commence the construction of Lanzhou Hailiang Heyuan with a gross floor area of approximately 92,397.34 sq.m.
6. Pursuant to 2 Pre-sale Permits — Lan Fang Shang Yu Zi (2014) Di Nos. 28 and 38 in favour of Lanzhou Hailiang, the Target Group is entitled to sell portions of Lanzhou Hailiang Heyuan (representing a total gross floor area of approximately 82,950.61 sq.m.) to purchasers.
7. Pursuant to a Construction Work Completion and Inspection Table — 2016 Di No. 030 in favour of Lanzhou Hailiang, the construction of Lanzhou Hailiang Heyuan with a gross floor area of approximately 92,397.34 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	3,294.92	
	Retail	5,487.69	
	Kindergarten	801.80	
	Car parking spaces	8,277.72	132
	Total:	17,862.13	132

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,500 to RMB10,000 per sq.m. for residential units, RMB8,000 to RMB10,000 per sq.m. for retail units and RMB100,000 to RMB140,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Lanzhou Hailiang is legally and validly in possession of the land use rights of the property. Lanzhou Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Lanzhou Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Lanzhou Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the property which has completed and passed final acceptance of construction, Lanzhou Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
30.	Lanzhou Xi'an Hua Fu No. 105 Xigu West Road Xigu District Lanzhou City Gansu Province The PRC (蘭州熙岸華府)	<p>Lanzhou Xi'an Hua Fu is located at the north-west of Xigu District. The locality is a newly developed area where public facilities such as subway line and affiliated equipments are being improved.</p> <p>Lanzhou Xi'an Huafu occupies a parcel of land with a site area of approximately 65,784.80 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in March 2019. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 257,542.60 sq.m.</p>	As at the valuation date, the property was under construction.	718,000,000
		<p>As at the valuation date, the property comprised the whole project of Lanzhou Xi'an Hua Fu. The classification, usage and gross floor area details of the property were set out in note 7.</p>		
		<p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB661,000,000, of which approximately RMB238,000,000 had been paid as at the valuation date.</p>		

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	The land use rights of the property have been granted for the terms expiring on 9 June 2085 for residential use and 9 June 2055 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Gan Rang A (Lan (2015) No. 19) dated 17 August 2015, the land use rights of a parcel of land with a site area of approximately 65,784.80 sq.m. were contracted to be granted to Lanzhou Hailiang Real Estate Development Co., Ltd., Xigu Branch (蘭州海亮房地產開發有限公司西固分公司, “Xigu Hailiang”, a 95%-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB302,700,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 2015-079, permission towards the planning of the aforesaid land parcel with a site area of approximately 65,784.80 sq.m. has been granted to Xigu Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — Lan Guo Yong (2015) Di No. X1192, the land use rights of the aforesaid land parcel with a site area of approximately 65,784.80 sq.m. have been granted to Xigu Hailiang for the terms expiring on 9 June 2085 for residential use and 9 June 2055 for commercial use.
4. Pursuant to 5 Construction Work Planning Permits — Lan Gui Jian Zi Di Nos. 620100201500139 to 620100201500143 in favour of Xigu Hailiang, Lanzhou Xi'an Hua Fu with a total gross floor area of approximately 257,542.60 sq.m. has been approved for construction.
5. Pursuant to 3 Construction Work Commencement Permits — Nos. 620101201603080101, 620101201604290201 and 620101201604290301 in favour of Xigu Hailiang, permissions by the relevant local authority were given to commence the construction of Lanzhou Xi'an Hua Fu with a gross floor area of approximately 257,542.60 sq.m.
6. Pursuant to 4 Pre-sale Permits — Lan Fang Shang Yu Zi (2016) Di Nos. 16, 26 and 71 and Lan Fang Shang Yu Zi (2017) Di No. 56 in favour of Xigu Hailiang, the Target Group is entitled to sell portions of Lanzhou Xi'an Hua Fu (representing a total gross floor area of approximately 234,033.740 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	230,108.75	
	Retail	3,924.99	
	Ancillary	1,880.84	
	Basement (inclusive of car parking spaces)	21,628.02	695
	Total:	257,542.60	695

8. As advised by the Target Group, various residential and retail units with a total gross floor area of approximately 188,085.75 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,041,622,336. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,441,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB7,000 to RMB9,000 per sq.m. for residential units, RMB10,000 to RMB13,000 per sq.m. for retail units and RMB100,000 to RMB140,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Xigu Hailiang is legally and validly in possession of the land use rights of the property. Xigu Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - Xigu Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - For the portions of the property of which the Pre-sale Permits have been obtained, Xigu Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
31. Hailiang Da Du Hui No. 12 Huzhu East Road Chengdong District Xining City Qinghai Province The PRC (西寧海亮大都匯)	<p>Hailiang Da Du Hui is located at the east of Xining city center. It is well served with public transportation. The locality is being further improved.</p> <p>Hailiang Da Du Hui occupies a parcel of land with a site area of approximately 193,597.61 sq.m., which is being developed into a residential and commercial development. Portions of the project were completed between 2016 and September 2017, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. Portions of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in August 2020. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 177,643.98 sq.m. The construction of the remaining portion of the project (the “bare land”) had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units and CIP of Hailiang Da Du Hui with a total gross floor area of approximately 386,469.77 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>	As at the valuation date, the unsold units of the property were vacant, portions of the property was under construction, and the remaining portion of the property was bare land.	1,136,480,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB606,000,000, of which approximately RMB45,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 27 December 2083 for residential use and 27 December 2053 for commercial use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 6301002013B00960 dated 13 December 2013, the land use rights of a parcel of land with a site area of approximately 193,800.49 sq.m. were contracted to be granted to Xining Hailiang Real Estate Development Co., Ltd. (西寧海亮房地產開發有限公司, “Xining Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB696,000,000.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di Ning Gui Xuan Zi No. 2014-003, permission towards the planning of the aforesaid land parcel with a site area of approximately 193,800.49 sq.m. has been granted to Xining Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — Ning Guo Yong (2014) Di No. 00064, the land use rights of the aforesaid land parcel with a site area of approximately 193,597.61 sq.m. have been granted to Xining Hailiang for the terms of 70 years expiring on 27 December 2083 for residential use and 40 years expiring on 27 December 2053 for commercial use.
4. Pursuant to 20 Construction Work Planning Permits — Ning Gui Zi Nos. 2014-078-01 to 11, 2014-013-1 to 5, 2014-121, 2015-003 and 050 in favour of Xining Hailiang, portions of Hailiang Da Du Hui with a total gross floor area of approximately 533,985.40 sq.m. has been approved for construction.
5. Pursuant to 9 Construction Work Commencement Permits — Nos. 2014-030, 031, 034, 035 and Ning Jian Guan Nos. 630102201703030101, 630102201701090101, 630102201504170101, 630102201506050101 and 630102201508190201 in favour of Xining Hailiang, permissions by the relevant local authority were given to commence portions of the construction of Hailiang Da Du Hui with a total gross floor area of approximately 642,649.62 sq.m.

6. Pursuant to 24 Pre-sale Permits — (2014) Ning Fang Yu Shou Zheng Zi Di Nos. 092-096, 147-149, 216-221, (2015) Ning Fang Yu Shou Zheng Zi Di Nos. 112, 139, 142, 202, (2016) Ning Fang Yu Shou Zheng Zi Di Nos. 010, 011 and (2017) Ning Fang Yu Shou Zheng Zi Di Nos. 004, 046 and 047 in favour of Xining Hailiang, the Target Group is entitled to sell portions of Hailiang Da Du Hui (representing a total gross floor area of approximately 515,896.44 sq.m.) to purchasers.
7. Pursuant to 6 Construction Work Completion and Inspection Tables in favour of Xining Hailiang, the construction of portions of Hailiang Da Du Hui with a gross floor area of approximately 442,151.26 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	155,207.00	
	Retail	11,415.06	
	Car parking spaces	7,547.80	607
	Sub-total:	174,169.86	607
Group III — held under development by the Target Group	Residential	96,118.40	
	Retail	12,886.83	
	Basement (inclusive of car parking spaces)	68,638.75	3,243
	Sub-total:	177,643.98	3,243
Group IV — held for future development by the Target Group	Apartment	18,097.34	
	Retail	15,243.64	
	Basement (inclusive of car parking spaces)	1,314.95	N/A
	Sub-total:	34,655.93	N/A
	Total:	386,469.77	3,850

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 31,837.91 sq.m. of the property in Group III have been pre-sold to various third parties at a total consideration of RMB169,459,449. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,031,000,000.

11. Our valuation has been made on the following basis and analysis:
- a. For the portions of the property in Group II and III, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB5,000 to RMB6,000 per sq.m. for residential units, RMB10,000 to RMB13,000 per sq.m. for retail units and RMB100,000 to RMB120,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and
 - b. For the bare land of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Chengdong District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB1,700 to RMB2,000 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.
12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- a. Xining Hailiang is legally and validly in possession of the land use rights of the property. Xining Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - b. Xining Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Xining Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
 - d. For the portions of the property which have completed and passed final acceptance of construction, Xining Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Portion
f.	Construction Work Commencement Permit	Portion
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	885,790,000
Group III — held under development by the Target Group	199,690,000
Group IV — held for future development by the Target Group	51,000,000
Total:	1,136,480,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
32.	Portions of Hailiang International Community located at the intersection of Shahai Road and Huayuan South Street Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (海亮國際社區)	<p>Hailiang International Community is located at the northen of Resettlement Area and the easten side of Tanglai Qu, Desheng Commercial & Residential Area. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>Hailiang International Community occupies 9 parcels of land with a total site area of approximately 597,958.00 sq.m., which had been developed into a residential development. The project was completed between 2012 and 2016, and its unsold portion (the “unsold units”) was held for sale as at the valuation date.</p> <p>As at the valuation date, the property comprised the unsold units of Hailiang International Community with a total gross floor area of approximately 133,864.07 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p> <p>The land use rights of the property have been granted for the terms expiring on 30 June 2078 for residential use, and 30 June 2048 for commercial use.</p>	As at the valuation date, the property was held for sale.	404,470,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — He Guo Rang He Zi (2008) Nos. 5 and 37 dated 25 June 2012, the land use rights of 10 parcels of land of Hailiang International Community and Binhe No. 1 Project with a total site area of approximately 797,960.00 sq.m. (including the property) were contracted to be granted to Ningxia Hailiang Real Estate Development Co., Ltd. (寧夏海亮房地產有限公司, “Ningxia Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB598,470,000.
2. Pursuant to 4 Construction Land Planning Permit — He Jian Gui Di Zi Nos. 2010028, 2011033, 2013008 and 2014018, permissions towards the planning of 9 land parcels of the aforesaid land parcels with a total site area of approximately 484,668.53 sq.m. have been granted to Ningxia Hailiang.
3. Pursuant to 9 State-owned Land Use Rights Certificates — He Guo Yong (2008) Di Nos. 268, 269 and 945, (2009) Di Nos. 1426 to 1429, (2010) Di Nos. 60046 and 60047, the land use rights of 9 land parcels of the aforesaid land parcels with a total site area of approximately 597,958.00 sq.m. have been granted to Ningxia Hailiang for the terms of 70 years expiring on 30 June 2078 for residential use and 30 June 2048 for commercial use.
4. Pursuant to 11 Construction Work Planning Permits — He Jian Zi Di Nos. 2010108, 2010097, 2011081-1, 2011081-3, 2012070-1 to 3, 2013067, 2013028-1, 2013028-2 and 2014052 in favour of Ningxia Hailiang, Hailiang International Community with a total gross floor area of approximately 1,263,449.99 sq.m. has been approved for construction.
5. Pursuant to 102 Construction Work Commencement Permits — Nos. 640122201009100101, 640122201009100201, 640122201011300101, 640122201111040201 to 640122201111040901, 640122201111050101 to 640122201111050301, 64012220111110101 to 64012220111110401, 640122201111160101 to 640122201111160701, 640122201204160101 to 640122201204162701, 640122201206180101 to 640122201206180301, 640122201209150201 to 640122201209150601, 640122201211290101, 640122201211290201, 64012220121129301, 640122201303290101 to 640122201303290701, 640122201305190101, 640122201305310101 to 640122201305311001, 640122201309270101 to 640122201309271001 and 640122201409300101 to 640122201409301101 in favour of Ningxia Hailiang, permissions by the relevant local authority were given to commence the construction of Hailiang International Community with a gross floor area of approximately 1,268,340.90 sq.m.
6. Pursuant to 120 Pre-sale Permits — He Fang Yu Shou Zheng Di Nos. 2011019 to 2011041, 2011102 to 2011110, 2011178 to 2011181, 2012026 to 2012063, 2012199 to 2012202, 2012296 to 2012300, 2012348 to 2012350, 2013026 to 2013029, 2013057, 2013058, 2013071 to 2013078, 2014009 to 2014017, 2014077 and 2014296 to 2014305 in favour of Ningxia Hailiang, the Target Group is entitled to sell Hailiang International Community (representing a total gross floor area of approximately 1,039,106.57 sq.m.) to purchasers.
7. Pursuant to 111 Construction Work Completion and Inspection Tables in favour of Ningxia Hailiang, the construction of Hailiang International Community with a gross floor area of approximately 1,114,424.31 sq.m. has been completed and passed the inspection acceptance.

8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	17,834.58	
	Retail	16,309.90	
	Car parking spaces	99,719.59	2,754
	Total:	133,864.07	2,754

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,000 to RMB7,500 per sq.m. for residential units, RMB4,500 to RMB16,000 per sq.m. for retail units and RMB50,000 to RMB120,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- Ningxia Hailiang is legally and validly in possession of the land use rights of the property. Ningxia Hailiang has the rights to occupy, use, lease and dispose of the land parcels of the property;
- Ningxia Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
- For the portions of the property of which the Pre-sale Permits have been obtained, Ningxia Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- For the property which has completed and passed final acceptance of construction, Ningxia Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments;

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the Target Group as "Group II — held for sale by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
33.	Binhe No.1 Project located at the northern side of Helanshan East Road Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川濱河壹號)	<p>Binhe No.1 Project is located at the eastern side of Yongsheng Road and the northern side of Binhe Road. It is well served with public transportation. The locality is a residential area with several mega residential developments with street front shops, schools and parks.</p> <p>Binhe No.1 Project comprises a parcel of land with a site area of approximately 204,040.00 sq.m., which is being developed into a residential and commercial development. Portions of the project were under construction (the “CIP”) as at the valuation date and are scheduled to be completed in September 2018. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 280,001.24 sq.m. The construction of the remaining portion of the project (the “bare land”) had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Binhe No. 1 Project with a total gross floor area of approximately 349,338.74 sq.m. The classification, usage and gross floor area details of the property were set out in note 7.</p>	As at the valuation date, portions of the property were under construction and the remaining portion of the property was bare land.	753,060,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB764,000,000, of which approximately RMB286,000,000 had been paid as at the valuation date.		
	The land use rights of the property have been granted for the terms expiring on 22 February 2078 for residential use and 22 February 2048 for commercial service use.		

Notes:

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts — He Guo Rang He Zi (2008) Nos. 5 and 37 dated 25 June 2012, the land use rights of 10 parcels of land of Hailiang International Community and Binhe No. 1 Project with a total site area of approximately 797,960.00 sq.m. (including the property) were contracted to be granted to Ningxia Hailiang Real Estate Development Co., Ltd. (寧夏海亮房地產有限公司, “Ningxia Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 40 years for commercial service use and 70 years for residential use commencing from the land delivery date. The land premium was RMB598,470,000.
2. Pursuant to a Construction Land Planning Permit — He Jian Gui Di No. 2016035, permission towards the planning of a land parcel of the aforesaid land parcels with a site area of approximately 157,815.00 sq.m. has been granted to Ningxia Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificate — He Guo Yong (2016) Di No. 60107, the land use rights of a land parcel of the aforesaid land parcels with a site area of approximately 204,040.00 sq.m. have been granted to Ningxia Hailiang for the terms expiring on 22 February 2078 for residential use and 22 February 2048 for commercial service use.
4. Pursuant to 2 Construction Work Planning Permits — He Jian Zi Di Nos. 2016058 and 2016087 in favour of Ningxia Hailiang, portions of Binhe No. 1 Project with a total gross floor area of approximately 280,001.24 sq.m. has been approved for construction.
5. Pursuant to 38 Construction Work Commencement Permits — Nos. 640122201607280101 to 640122201607281801 and 640122201702240101 to 640122201702242001 in favour of Ningxia Hailiang, permissions by the relevant local authority were given to commence the construction of portions of Binhe No.1 Project with a total gross floor area of approximately 279,135.42 sq.m.

6. Pursuant to 34 Pre-sale Permits — He Fang Yu Shou Zheng Zi Di Nos. 2016083 to 2016093, 2016130 to 2016132, 2016143, 2017013, 2017057 to 2017061, 2017156 to 2017160, 2017238, 2017239 and 2017266 to 2017269 in favour Ningxia Hailiang, the Target Group is entitled to sell portions of Binhe No.1 project (representing a total gross floor area of approximately 218,293.95 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	206,869.40	
	Retail	7,107.60	
	Ancillary	5,110.40	
	Basement (inclusive of car parking spaces)	60,913.84	1,266
	Sub-total:	280,001.24	1,266
Group IV — held for future development by the Target Group	Residential	69,337.50	
	Sub-total:	69,337.50	
	Total:	349,338.74	1,266

8. As advised by the Target Group, various residential units, retail units and car parking spaces with a total gross floor area of approximately 136,490.81 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB786,303,174. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,377,000,000.

10. Our valuation has been made on the following basis and analysis:

- a. For the portions of the property in Group III, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,000 to RMB7,500 per sq.m. for residential units, RMB5,500 to RMB12,000 per sq.m. for retail units and RMB55,000 to RMB150,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and

- b. For the bare land of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Xingqing District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB1,300 to RMB1,800 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.
11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- a. Ningxia Hailiang is legally and validly in possession of the land use rights of the property. Ningxia Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Ningxia Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Ningxia Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:
- | | |
|---|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate | Yes |
| c. Building Ownership Certificate | No |
| d. Construction Land Planning Permit | Portion |
| e. Construction Work Planning Permit | Portion |
| f. Construction Work Commencement Permit | Portion |
| g. Pre-sale Permit | Portion |
| h. Construction Work Completion and Inspection Certificate/Table/Report | No |
13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group III — held under development by the Target Group	665,490,000
Group IV — held for future development by the Target Group	87,570,000
Total:	753,060,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
34.	A residential unit of Wangdu Junfu located at E14 Fuxing South Street Helan County Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川望都郡府)	<p>The property comprises a residential unit in Wangdu Junfu completed in 2007. The locality is well served with public transportation and there are also some public facilities nearby.</p> <p>The property has a gross floor area of approximately 348.55 sq.m. The classification, usage and gross floor area details of the property were set out in note 2.</p>	As at the valuation date, the property was currently held and occupied by the Target Group.	1,500,000

Notes:

- Pursuant to a Building Ownership Certificate — He Lan Xian Fang Quan Zheng Xi Gang Zhen Zi Di No. 20070056, a residential unit with a total gross floor area of approximately 348.55 sq.m. are owned by Ningxia Hailiang Real Estate Development Co., Ltd. (寧夏海亮房地產有限公司, “Ningxia Hailiang”, a wholly-owned subsidiary of the Target Companies).
- According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group I — held and occupied by the Target Group	Residential	348.55	
	Total:	348.55	N/A

3. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,000 to RMB5,000 for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

For the unit mentioned in note 1, Ningxia Hailiang is the owner of the property and has the rights to legally occupy, use, lease and dispose of.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Not applicable ("N/A")
b.	State-owned Land Use Rights Certificate	N/A
c.	Building Ownership Certificate	Yes
d.	Construction Land Planning Permit	N/A
e.	Construction Work Planning Permit	N/A
f.	Construction Work Commencement Permit	N/A
g.	Pre-sale Permit	N/A
h.	Construction Work Completion and Inspection Certificate/Table/Report	N/A

6. For the purpose of this report, the property is classified into the Target Group as "Group I — held and occupied by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
35.	2 residential units of Phase III of Jingmo Community located at the southern side of Shaqu Road Xingqing District Yinchuan City The Ningxia Hui Autonomous Region The PRC (銀川景墨家園)	<p>The property comprise 2 residential units of Phase III of Jingmo Community completed in 2008. The locality is well served with public transportation and there are also some public facilities nearby.</p> <p>The property has a total gross floor area of approximately 255.32 sq.m. The classification, usage and gross floor area details of the property were set out in note 2.</p>	As at the valuation date, the property was currently held and occupied by the Target Group.	1,280,000

Notes:

- Pursuant to 2 Building Ownership Certificates — Yin Fang Quan Zheng Xing Qing Qu Zi Di No. 2008017487 and 2008017486, 2 residential units with a total gross floor area of approximately 255.32 sq.m. are owned by Ningxia Hailiang Real Estate Development Co., Ltd. (寧夏海亮房地產有限公司, “Ningxia Hailiang”, a wholly-owned subsidiary of the Target Companies).
- According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group I — held and occupied by the Target Group	Residential	255.32	
	Total:	255.32	N/A

3. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development/building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,800 to RMB5,000 for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

For the units mentioned in note 1, Ningxia Hailiang is the owner of the property and has the rights to legally occupy, use, lease and dispose of.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Not applicable ("N/A")
b.	State-owned Land Use Rights Certificate	N/A
c.	Building Ownership Certificate	Yes
d.	Construction Land Planning Permit	N/A
e.	Construction Work Planning Permit	N/A
f.	Construction Work Commencement Permit	N/A
g.	Pre-sale Permit	N/A
h.	Construction Work Completion and Inspection Certificate/Table/Report	N/A

6. For the purpose of this report, the property is classified into the Target Group as "Group I — held and occupied by the Target Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
36.	Haimao No.1 Project located at the southern side of Weiyi Road and the western side of Zhengyuan North Street Jinfeng District Yinchuan City The Ningxia Hui Autonomous Region The PRC (海茂壹號院)	<p>Haimao No.1 Project is located at the southern side of Weiyilu and the western side of Zhengyuan Beijie Forest Belt. It is well served with public transportation. The locality is a residential area with several mega residential developments.</p> <p>Haimao No.1 Project occupies a parcel of land with a site area of approximately 176,146.41 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in February 2018. As advised by the Target Group, upon completion, the project will have a total gross floor area of approximately 401,951.99 sq.m.</p> <p>As at the valuation date, the property comprised the whole project of Haimao No.1. The classification, usage and gross floor area details of the property were set out in note 7.</p> <p>As advised by the Target Group, the construction cost of the property is estimated to be approximately RMB1,126,000,000, of which approximately RMB689,000,000 had been paid as at the valuation date.</p>	As at the valuation date, the property was under construction.	1,625,090,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	The land use rights of the property have been granted for a term expiring on 19 July 2085 for residential use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yin Di Chan He Tong Rang Zi (2015) No. 28 dated 20 May 2015, the land use rights of a parcel of land with a site area of approximately 176,146.41 sq.m. were contracted to be granted to Yinchuan Haimao Real Estate Co., Ltd. (銀川海茂房地產有限公司, “Yinchuan Haimao”, a 49%-owned associated company of the Target Companies) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB418,220,000.
2. Pursuant to a Construction Land Planning Permit — Yin Gui Jian Di Zi No. 2015098, permission towards the planning of the aforesaid land parcel with a site area of approximately 176,146.41 sq.m. has been granted to Yinchuan Haimao.
3. Pursuant to a State-owned Land Use Rights Certificate — Yin Guo Yong (2015) Di No. 60114, the land use rights of the aforesaid land parcel with a site area of approximately 176,146.41 sq.m. have been granted to Yinchuan Haimao for a term expiring on 19 July 2085 for residential use.
4. Pursuant to 3 Construction Work Planning Permits — Yin Gui Jian Zi Di Nos. 2015263, 2015241 and 2016030 in favour of Yinchuan Haimao, Haimao No.1 Project with a total gross floor area of approximately 401,951.99 sq.m. has been approved for construction.
5. Pursuant to 62 Construction Work Commencement Permits — Nos. 640102201511120101 to 640102201511123101, 640102201604150101 to 640102201604150801, 640102201604282001 and 640102201604280101 to 640102201604282301 in favour of Yinchuan Haimao, permissions by the relevant local authority were given to commence the construction of Haimao No.1 Project with a gross floor area of approximately 401,951.99 sq.m.
6. Pursuant to 55 Pre-sale Permits — Yin Shen Fu Yu Shou Zheng Di Nos. 20150501 to 20150514, 20150539 to 20150541, 20160037, 20160051 to 20160055, 20160102 to 20160108, 20160182, 20160228 to 20160231, 20160235 to 20160238, 20160346, 20170009 to 20170017, 20170166 to 20170168 and 20170232 to 20170234 in favour of Yinchuan Haimao, the Target Group is entitled to sell portions of Haimao No.1 Project (representing a total gross floor area of approximately 315,676.02 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	287,217.52	
	Retail	24,424.02	
	Basement (inclusive of car parking spaces)	5,422.00	1,873
	Ancillary	84,888.45	
	Total:	401,951.99	1,873

8. As advised by the Target Group, various residential, retail units and car parking spaces with a total gross floor area of approximately 274,981.92 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB1,729,947,144. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,307,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,000 to RMB7,500 per sq.m. for residential units, RMB5,500 to RMB16,000 per sq.m. for retail units and RMB55,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Yinchuan Haimao is legally and validly in possession of the land use rights of the property. Yinchuan Haimao has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - Yinchuan Haimao has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - For the portions of the property of which the Pre-sale Permits have been obtained, Yinchuan Haimao has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the Target Group as “Group III — held under development by the Target Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
37.	Shiyuefu Project located at the southern side of Shenyang Road Forest Belt and the western of Zhengyuan North Street Jinfeng District Yinchuan City The Ningxia Hui Autonomous Region The PRC (世悦府)	<p>Shiyuefu Project is located at the southern side of Shenyang Road Forest Belt and the western side of Zhengyuan Beijie Forest Belt. It is well served with public transportation. The locality is a residential area with several mega residential developments.</p> <p>Shiyuefu Project occupies a parcel of land with a site area of approximately 136,825.38 sq.m., which is being developed into a residential and commercial development. Portions of the project was under construction as at the valuation date and is scheduled to be completed in June 2020. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 173,599.27 sq.m. The construction of the remaining portion of the project (the “bare land”) had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Shiyuefu Project with a total gross floor area of approximately 346,938.27 sq.m. The classification, usage and gross floor area details of the property were set out in note 7.</p>	As at the valuation date, portions of the property were under construction and the remaining portion of the property was bare land.	526,880,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
	<p>As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB456,000,000, of which approximately RMB69,000,000 had been paid as at the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 5 October 2085 for residential use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yin Di Chan He Tong Rang Zi (2015) No. 65 dated 6 September 2015, the land use rights of a parcel of land with a site area of approximately 136,825.38 sq.m. were contracted to be granted to Yinchuan Shihai Real Estate Co., Ltd. (銀川世海房地產有限公司, “Yinchuan Shihai”, a 49%-owned associated company of the Target Companies) for the terms of 70 years for residential use commencing from the land delivery date. The land premium was RMB349,280,000.
2. Pursuant to a Construction Land Planning Permit — Yin Gui Jian Di Zi No. (2017) 078, permission towards the planning of the aforesaid land parcel with a site area of approximately 136,825.38 sq.m. has been granted to Yinchuan Shihai.
3. Pursuant to a State-owned Land Use Rights Certificate — Yin Guo Yong (2015) Di No. 60190, the land use rights of the aforesaid land parcel with a site area of approximately 136,825.38 sq.m. have been granted to Yinchuan Shihai for the terms expiring on 5 October 2085 for residential use.
4. Pursuant to 2 Construction Work Planning Permits — Yin Gui Jian Zi Di Nos. (2017)113 and 140 in favour of Yinchuan Shihai, portions of Shiyuefu Project with a total gross floor area of approximately 173,599.26 sq.m. has been approved for construction.
5. Pursuant to 24 Construction Work Commencement Permits — Nos. 640102201706160101 to 640102201706160501 and 640102201708142101 to 640102201708143901 in favour of Yinchuan Shihai, permissions by the relevant local authority were given to commence the construction of portions of Shiyuefu Project with a total gross floor area of approximately 173,599.26 sq.m.
6. Pursuant to 15 Pre-sale Permits — (Yin Shen Fu) Yu Shou Zheng Di Nos. 20170159 to 20170163, 20170330 to 20170335 and 20170364 to 20170367 in favour of Yinchuan Shihai, the Target Group is entitled to sell portions of Shiyuefu Project (representing a total gross floor area of approximately 105,987.74 sq.m.) to purchasers.

7. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group III — held under development by the Target Group	Residential	115,666.42	
	Retail	8,825.90	
	Basement (inclusive of car parking spaces)	49,106.95	884
	Sub-total:	173,599.27	884
Group IV — held for future development by the Target Group	Residential	147,901.77	
	Ancillary	1,255.67	
	Basement (inclusive of car parking spaces)	24,181.56	884
	Sub-total:	173,339.00	884
	Total:	346,938.27	1,768

8. As advised by the Target Group, various residential units with a total gross floor area of approximately 30,377.12 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB192,823,172. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB896,000,000.
10. Our valuation has been made on the following basis and analysis:
- For the portions of the property in Group III, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB4,000 to RMB7,500 per sq.m. for residential units, RMB5,500 to RMB16,000 per sq.m. for retail units and RMB55,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and
 - For the bare land of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Jinfeng

District which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB1,300 to RMB1,800 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Yinchuan Shihai is legally and validly in possession of the land use rights of the property. Yinchuan Shihai has the rights to occupy, use, lease and dispose of the land parcel of the property;
 - b. Yinchuan Shihai has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Yinchuan Shihai has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Portion
f. Construction Work Commencement Permit	Portion
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group III — held under development by the Target Group	295,680,000
Group IV — held for future development by the Target Group	231,200,000
Total:	526,880,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
38.	Hailiang Skyscrapers No. 66 Dongjiangyuan Avenue Zhangjiang New District Ganzhou City Jiangxi Province The PRC (海亮天城)	<p>Hailiang Skyscrapers is located in the center of Zhangjiang New District, where is a new developing concentrate with administration, business, culture, exhibition and residential area. And based on the construction planning policies in Ganzhou City, the Zhangjiang New District will be a new CBD. The location of property is well served by public transportation, commercial and education systems.</p> <p>Hailiang Skyscrapers occupies a parcel of land with a site area of approximately 148,919.00 sq.m. which is being developed into a residential and commercial development. Portions of the project were completed in 2016, and the unsold portion of that (the “unsold units”) was held for sale as at the valuation date. The remaining portion of the project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed between 2018 and 2019. As advised by the Target Group, upon completion, the CIP will have a total gross floor area of approximately 294,261.90 sq.m.</p>	As at the valuation date, the unsold portion of the property was held for sale and the remaining portion of the property was under construction.	2,016,790,000

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
	<p>As at the valuation date, the property comprised the unsold units and CIP of Hailiang Skyscrapers with total gross floor area 329,528.96 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.</p>		
	<p>As advised by the Target Group, the construction cost of the CIP of the property is estimated to be approximately RMB966,000,000 of which approximately RMB742,000,000 had been paid as at the valuation date.</p>		
	<p>The land use rights of the property have been granted for the terms expiring 17 July 2083 for residential use, expiring 17 July 2053 for commercial use and expiring 17 July 2063 for education use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — No. 36201311010015 dated 18 July 2013 and a supplementary contract dated 18 July 2013, the land use rights of a parcel of land with a site area of approximately 148,919.00 sq.m. were contracted to be granted to Ganzhou Hailiang Real Estate Co., Ltd. (贛州海亮房地產有限公司 “Ganzhou Hailiang”, a wholly-owned subsidiary of the Target Companies) for the terms of 70 years for residential use, 40 years for commercial use and 50 years for education use from the land delivery date. The land premium was RMB1,235,032,200.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 360701201300041, permission towards the planning of the land parcel with a site area of approximately 148,919.00 sq.m. has been granted to Ganzhou Hailiang.
3. Pursuant to a State-owned Land Use Rights Certificates — Gan Shi Zhang Guo Yong (2013) No. 0172, the land use rights of the land parcel with a site area of approximately 148,919.00 sq.m. have been granted to Ganzhou Hailiang for terms of 70 years expiring on 17 July 2083 for residential use, 40 years expiring on 17 July 2053 for commercial use and 50 years expiring on 17 July 2063 for education use.

4. Pursuant to 5 Construction Work Planning Permits — Jian Zi Di Fang Wu Jian Nos. 360701201300108, 360701201300099, 360701201500029, 360701201500053, and 360701201600039, in favor of Ganzhou Hailiang, Hailiang Skyscrapers with a total gross floor area of approximately 461,131.41 sq.m. has been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — Zong Ban Zheng Nos. 362101201402200101, 362101201509070101, 362101201603180101, and 362101201611090101, in favor of Ganzhou Hailiang, permissions by the relevant local authority were given to commence the construction of Hailiang Skyscrapers with a total gross floor area of approximately 461,131.41 sq.m.
6. Pursuant to 28 Pre-sale Permits — (2014) Fang Yu Shou Zheng Di Nos. 027, 043, 045, 063, 068, 082, and 083, (2015) Fang Yu Shou Zheng Di Nos. 018, 032, 058, 064 and 069, (2016) Fang Yu Shou Zheng Di Nos. 009, 011, 012, 021, 031, 038, 042, 046, 047, 063, 080, 097, and 104, (2017) Fang Yu Shou Zheng Di Nos. 001, 045 and 079 in favor of Ganzhou Hailiang, the Target Group is entitled to sell portions of Hailiang Skyscrapers (representing a total gross floor area of approximately 289,316.16 sq.m.) to purchasers.
7. Pursuant to 21 Construction Work Completion and Inspection Tables in favour of Ganzhou Hailiang, the construction of portions of Hailiang Skyscrapers with a gross floor area of approximately 170,080.29 sq.m. has been completed and passed the inspection acceptance.
8. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group II — held for sale by the Target Group	Residential	13,205.23	
	Retail	1,799.16	
	Car parking spaces	20,262.67	583
	Sub-total:	35,267.06	583
Group III — held under development by the Target Group	Residential	190,668.67	
	Retail	15,291.20	
	Kindergarten	4,450.00	
	Ancillary	957.03	
	Basement (inclusive of car parking spaces)	82,895.00	1,602
	Sub-total:	294,261.90	1,602
Total:		329,528.96	2,185

9. As advised by the Target Group, various residential units and retail units with a total gross floor area of approximately 157,739.19 sq.m. in Group III of the property have been pre-sold to various third parties at a total consideration of RMB1,368,567,148. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,138,000,000.

11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, retail units and car parking spaces within the same development of the subject property and other to be completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2017. The unit price of these comparable properties ranges from RMB8,500 to RMB14,000 per sq.m. for residential units, RMB15,000 to RMB30,000 per sq.m. for retail units and RMB50,000 to RMB180,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

- a. Ganzhou Hailiang is legally and validly in possession of the land use rights of the property. Ganzhou Hailiang has the rights to occupy, use, lease and dispose of the land parcel of the property;
- b. Ganzhou Hailiang has obtained related requisite approvals for the construction work of the property from the relevant government authorities;
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Ganzhou Hailiang has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits; and
- d. For the portions of the property which have completed and passed final acceptance of construction, Ganzhou Hailiang has obtained the relevant Construction Work Completion and Inspection Certificates after declaring to related government departments.

13. A summary of major certificates/approvals is shown as follows:

a. State-owned Construction Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Real Estate Title Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Yes
f. Construction Work Commencement Permit	Yes
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	Portion

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group II — held for sale by the Target Group	217,180,000
Group III — held under development by the Target Group	1,799,610,000
Total:	2,016,790,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
39.	A parcel of land of Yijing Garden located at the eastern side of Jingtū Road and the northern side of Shengquan Road Huaiyuan County Bengbu City Anhui Province The PRC (懷遠頤景花園)	<p>The property is located at the eastern side of Jingtū Road and the northern side of Shengquan Road. The locality is a residential area with several residential developments with street front shops, schools.</p> <p>The property occupies a parcel of land with a site area of approximately 2,015.70 sq.m., which will be developed into a residential development with a total gross floor area of approximately 5,818.00 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised a parcel of land of Yijing Garden. The classification, usage and gross floor area details of the property were set out in note 3.</p> <p>The land use rights of the property have been granted for the terms expiring on 1 June 2054 for residential use.</p>	As at the valuation date, the property was bare land.	8,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Huai Guo Yong (2009) Di No. 136, the land use rights of a parcel of land with a site area of approximately 2,015.70 sq.m. have been granted to Anhui Hailiang Property Co., Ltd. (安徽海亮房地產有限公司懷遠分公司, “Hailiang Huaiyuan”) for the terms expiring on 1 June 2054 for residential use.
2. Pursuant to a Construction Land Planning Permit — Huai (Cheng) Yong Zi No. 2006-005, permission towards the planning of a parcel of land with a site area of approximately 75,766.67 sq.m. (including the property) has been granted to Hailiang Huaiyuan.
3. According to the information provided by the Target Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	Nos. of car parking space
Group IV — held for future development by the Target Group	Residential	5,818.00	
	Total:	5,818.00	N/A

4. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land in Huaiyuan County which were transacted between 2015 to 2017. The accommodation value of these comparable land sites ranges from RMB1,000 to RMB1,100 per sq.m. basis for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.

5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Hailiang Huaiyuan is legally and validly in possession of the land use rights of the property. Hailiang Huaiyuan has the rights to occupy, use, lease and dispose of the land parcel of the property.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	No
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	Yes
d.	Construction Land Planning Permit	No
e.	Construction Work Planning Permit	No
f.	Construction Work Commencement Permit	No
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	No

7. For the purpose of this report, the property is classified into the Target Group as “Group IV — held for future development by the Target Group in the PRC” according to the purpose for which it is held.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Mr. Ou Zonghong ⁽²⁾	Beneficiary of a trust	1,014,000,000 (L)	67.84%
Mr, Wu Jian	Beneficial owner	1,340,000 (L)	0.09%

Notes:

(1) As at the Latest Practicable Date, the Company paid 1,494,800,500 Shares. The letter "L" denotes the person's long position in the relevant Shares.

(2) Mr. Ou Zonghong is a beneficiary of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei as the settlor with Mr. Ou Zonghong being the protector. TMF (Cayman) Ltd., the trustee of Ou Family Trust, through a wholly-owned BVI company, namely Honesty Global Holdings Limited, which in turn wholly-owned another BVI company, namely Dingxin Company Limited, held 1,014,000,000 Shares.

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest/ Capacity	Number of Shares or underlying Shares⁽¹⁾	Approximate percentage of shareholding⁽¹⁾
Dingxin Company Limited ⁽²⁾	Beneficial owner	1,014,000,000 (L)	67.84%
Honesty Global Holdings Limited ⁽²⁾	Interest in controlled corporation	1,014,000,000 (L)	67.84%
TMF (Cayman) Ltd. ⁽²⁾	Trustee of a trust	1,014,000,000 (L)	67.84%
Mr. Ou Guofei ⁽²⁾⁽³⁾	Settlor of a trust	1,014,000,000 (L)	67.84%
Ms. Xu Lixiang ⁽⁴⁾	Beneficiary of a trust/ Interest of spouse	1,014,000,000 (L)	67.84%

Notes:

- (1) As at the Latest Practicable Date, the Company paid 1,494,800,500 Shares. The letter “L” denotes the person’s long position in the relevant Shares.
- (2) Dingxin Company Limited is a BVI company wholly owned by Honesty Global Holdings Limited, another BVI company, wholly-owned by TMF (Cayman) Ltd., the trustee of the Ou Family Trust which is a discretionary trust established by Mr. Ou Guofei (as the settlor) with Mr. Ou Zonghong being the protector. Accordingly, each of Honesty Global Holdings Limited, TMF (Cayman) Ltd. and Mr. Ou Guofei is deemed to be interested in the Shares held by Dingxin Company Limited.
- (3) Mr. Ou Guofei is the son of Mr. Ou Zonghong.
- (4) Ms. Xu Lixiang is the spouse of Mr. Ou Zonghong and is therefore deemed under the SFO to be interested in the Shares held by Mr. Ou Zonghong.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest 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 held any option in respect of such capital.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. COMPETITING BUSINESS INTEREST OF DIRECTORS

Mr. Ou Zonghong, the chairman and an executive director of the Company, through his interests in a family trust, Ou Family Trust, is interested in 67.84% of the paid share capital in the Company as at the Latest Practicable Date. Apart from holding interests in the Group as a result of the Ou Family Trust, Mr. Ou Zonghong also owns equity interest in certain other companies which are engaging in the businesses of hotel operation and property management, details of which are set out below.

(i) Hotel Operation

Hemei (Zhangzhou) Hotel Investment Company Limited is a member of the Fujian Dingcheng Investment Company Limited, which owns and operates Zhangzhou Rongxin Crowne Plaza Holiday Hotel (“**Zhangzhou Rongxin Hotel**”). Zhangzhou Rongxin Hotel is a high-end hotel in Zhangzhou, Fujian province and was opened in August 2014. For further details, please refer to the section headed “Relationship with Controlling Shareholders — No Competition and Delineation of Business” on pages 260 to 263 in the Prospectus.

(ii) Pre-delivery Property Management

Fujian Shiou Property Management Company Limited (“**Fujian Shiou Property Management**”) is owned as to 60% by Mr. Ou Zonghong. Fujian Shiou Property Management is engaging in the provision of predelivery property management services and it is providing pre-delivery property management services to certain of the Group's property projects as at the Latest Practicable Date. For further details, please refer to the announcement of the Company dated 8 November 2016 and the section headed “Report of Directors — Continuing Connected Transactions — 1. Master Predelivery Property Management Agreement” in the annual report of the Company for the year ended 31 December 2016.

(iii) Property Management

Rongxin (Fujian) Property Management Company Limited (“**Rongxin Fujian Property Management**”) is owned as to 52% by Mr. Ou Zonghong. Rongxin Fujian Property Management is engaging in the provision of property management services and it is providing property management services to certain of the Group's property projects as at the Latest Practicable Date. For further details, please refer to the section headed “Relationship with Controlling Shareholders — No Competition and Clear Delineation of Business” on pages 260 to 263 in the Prospectus and the section headed “Report of Directors — Continuing Connected Transactions — 2. Management Services Agreement” in the annual report of the Company for the year ended 31 December 2016.

In order to eliminate competing business with the Group, Mr. Ou Zonghong, Mr. Ou Guofei, Honesty Global Holdings Limited and Dingxin Company Limited entered into a non-competition deed with the Company on 22 December 2015.

In compliance with the above-mentioned non-competition deed, each of Mr. Ou Zonghong, Mr. Ou Guofei, Honesty Global Holdings Limited and Dingxin Company Limited made a declaration that all material terms of the non-competition deed have been fully complied with in all material aspects on an annual basis. Mr. Ou Zonghong, Mr. Ou Guofei, Honesty Global Holdings Limited and Dingxin Company Limited have confirmed in the non-competition deed that save for the business carried on by them as already disclosed in the Prospectus, none of them is engaged in, or is interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

As at the Latest Practicable Date, save as disclosed above, so far as the Directors were aware, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company are made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

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

- (1) on 21 March 2016, Rongxin (Fujian) Investment Company Limited (融信(福建)投資集團有限公司) (“**Rongxin Investment**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Fuzhou Zhuochuang Investment Company Limited* (福州卓創投資有限公司), pursuant to which Rongxin Investment has agreed to acquire, and Fuzhou Zhuochuang Investment Company Limited has agreed to dispose, 50% equity interests in Fujian Ronghui Real Estate Company Limited* (福建融滙置業有限公司) at a total consideration of RMB840,000,000;
- (2) on 25 April 2016 and 2 December 2016, Rongxin Investment has entered into a promoters’ agreements with BOE Technology Group Co., Ltd. (京東方科技集團股份有限公司), Pingtan Comprehensive Experimental Zone State-owned Assets Investment Group Co., Ltd.* (平潭綜合實驗區國有資產投資集團有限公司), Pingtan Comprehensive Experimental Zone Communications Investment Group Co., Ltd. (平潭綜合實驗區交通投資集團有限公司) and Beijing Xuanji Information Technology Co., Ltd.* (北京旋極信息技術股份有限公司) in relation to the formation of a joint venture company for the purpose of carrying on insurance business in the PRC, respectively;

- (3) on 8 November 2016, the Company entered into a master pre-delivery property management agreement (the “**Management Agreement**”) with Fujian Shiou Property Management Company Limited (福建世歐物業管理有限公司), pursuant to which Fujian Shiou Property Management Company Limited has agreed to provide pre-delivery property management services to the Group for a term commencing from the date of the Management Agreement and ending on 31 December 2018 (both days inclusive);
- (4) on 2 December 2016, Rongxin Investment has entered into a promoters’ agreement with BOE Technology Group Co., Ltd. (京東方科技集團股份有限公司), Pingtan Comprehensive Experimental Zone State-owned Assets Investment Group Co., Ltd.* (平潭綜合實驗區國有資產投資集團有限公司), Pingtan Comprehensive Experimental Zone Communications Investment Group Co., Ltd. (平潭綜合實驗區交通投資集團有限公司) and Beijing Xuanji Information Technology Co., Ltd.* (北京旋極信息技術股份有限公司) in relation to the formation of a joint venture company for the purpose of carrying on insurance business in the PRC, respectively;
- (5) on 14 February 2017, the Company entered into a purchase agreement with certain existing non-PRC subsidiaries of the Group, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, AMTD Asset Management Limited, Orient Securities (Hong Kong) Limited, SPDB International Capital Limited and China Industrial Securities International Brokerage Ltd. in relation to the issue of the additional USD-denominated 6.95% senior notes due 2019 in the aggregate principal amount of US\$225,000,000 by the Company;
- (6) on 14 August 2017, Rongxin Investment entered into a guarantee agreement in favour of Bank of Beijing Co., Ltd., Nanjing Branch* (北京銀行股份有限公司南京分行) (“**Bank of Beijing**”), pursuant to which Rongxin Investment has agreed to provide guarantee for the due performance of the repayment obligations of Nanjing Kaijingsheng Property Development Co., Ltd.* (南京愷璟晟房地產開發有限公司) (“**Nanjing Kaijingsheng**”) to Bank of Beijing Co., Ltd., Nanjing Branch under the loan agreement dated 14 August 2017 entered into between Nanjing Kaijingsheng and Bank of Beijing in relation to the grant of a loan in the principal amount of RMB800 million;
- (7) on 15 September 2017, the Company entered into a landscape engineering services framework agreement (the “**Framework Agreement**”) with Xiujing (Fujian) Landscape Engineering Company Limited* (秀景(福建)園林工程有限公司), pursuant to which Xiujing (Fujian) Landscape Engineering Company Limited has agreed to provide the landscape engineering services to the Group for a term commencing from the date of the Framework Agreement and ending on 31 December 2019 (both days inclusive); and
- (8) on 29 October 2017, the Company, Dingxin Company Limited and Mr. Ou Zonghong entered into a placing agreement with UBS AG Hong Kong Branch, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited in relation to the placing of up to 142,452,500 existing Shares at a price of HK\$8.52 per Share to not less than six placees.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or letter contained in this circular:

Name	Qualifications
PricewaterhouseCoopers (“PwC”)	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”)	Independent property valuer

As at the Latest Practicable Date, PwC and JLL have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of their letters and references to their names, in the form and context in which they are included.

As at the Latest Practicable date, PwC and JLL did not have any shareholding in any member of the Enlarged Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Enlarged Group.

As at the Latest Practicable Date, PwC and JLL did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

- (a) 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 proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.
- (c) The joint company secretaries of the Company are Ms. Zeng Feiyan and Ms. Ng Wing Shan.

Ms. Zeng has been a certified public accountant authorised by the Institute of Certified Public Accountants of Guangdong Province since 7 January 2003. She has also been a senior economist as credentialed by the Senior Professional Titles Evaluation Committee of Dezhou Private Economic Organisations since 26 September 2013 and a Registered Tax Agents authorised by the Certified Tax Agents Association of Guangdong Province since 13 December 2011. Ms. Zeng graduated from Changsha Communication College (now known as Changsha University of Science and Technology) in Changsha, Hunan province in June 1998 where she obtained a bachelor degree in accounting. Ms. Zeng is currently a candidate of executive master of business administration in Guanghua School of Management of Peking University since March 2013.

Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom.

- (d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The principal place of business and head office of the Company in the PRC is 6th Floor, Tower T1, Hongqiao Vanke Centre, No.988 Shen Zhang Road, Minhang District, Shanghai, the PRC.
- (f) The principal place of business of the Company in Hong Kong is 18th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (h) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited.
- (i) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 18th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 13 January 2018:

- (a) the memorandum and articles of association of the Company;
- (b) the Prospectus;
- (c) the annual reports of the Company for the years ended 31 December 2015 and 2016;
- (d) the accountant's report on Ningbo Hailiang, its subsidiaries and associates, the text of which is set out in Appendix II to this circular;
- (e) the accountant's report on Anhui Hailiang and its subsidiaries, the text of which is set out in Appendix III to this circular;
- (f) the report on the unaudited pro forma financial information of the Enlarged Group upon the completion of the Acquisitions, the text of which is set out in Appendix IV to this circular;
- (g) the property valuation report of the property interests held by Ningbo Hailiang and Anhui Hailiang, the text of which is set out in Appendix VI to this circular;
- (h) the material contracts as referred to in the section headed "Material Contracts" of this appendix;
- (i) the written consents of the experts as referred to in the section headed "Experts and Consents" of this appendix;

- (j) the Equity Transfer Agreements; and
- (k) this circular.