16 November 2015

To the IBC and the Independent Shareholders

Dear Sirs,

PROPOSED ISSUE OF NEW SHARES TO THE SUBSCRIBERS UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 16 November 2015 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye and the Investors) and SREI entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share for a total cash consideration of HK$1,490,000,000.

As stated in the Letter from the Board, China Minsheng Jiaye and parties acting in concert with them do not (as at the Latest Practicable Date) own, control or direct any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares. Upon the Subscription Completion, China Minsheng Jiaye and parties acting in concert with them will hold 12,500,000,000 Shares, representing approximately 60.78% of the voting rights of the Company as enlarged by the issue of the Subscription Shares. As a result, China Minsheng Jiaye and parties acting in concert with them will be obliged to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by China Minsheng Jiaye and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

China Minsheng Jiaye has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code which, if granted, will be subject to, among other things, approval by the TC Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the SGM by way of poll. The granting by the Executive of the Whitewash Waiver and the approval of the TC Independent Shareholders are part of the Subscription Conditions and cannot be waived. Therefore, unless the Whitewash Waiver is granted, the Subscription will not proceed.

The IBC comprising all the non-executive Directors and the independent non-executive Directors, who have no direct or indirect interest in the Subscription and the Whitewash Waiver, has been established for the purpose of considering and advising: (i) the TC Independent Shareholders as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable; and (ii) the LR Independent Shareholders as to whether the terms of the Subscription and the Specific Mandate are fair and reasonable and in the interest of the Company and the Shareholders as a whole and the voting action that should be taken by Independent Shareholders. We have been appointed by the Company as the IFA to advise the IBC and the Independent Shareholders in this respect, and such appointment has been approved by the IBC.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board in the Circular were reasonably made after due and careful inquiry. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to enable us to reach an informed view regarding the Subscription and the Whitewash Waiver. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group and China Minsheng Jiaye

1.1 Information on the Group

The Group is mainly engaged in real estate development, property leasing and hotel operations in Mainland China. The Group is an integrated real estate developer specializing in property development business. Geographically, Shanghai is the base for the Group's real estate development business, but the Group has been gradually expanding into capitals of various provinces and regional hubs with strong economic development potentials. While the Group is mainly a developer for medium-to-high end residential properties, it has been gradually building more commercial properties such as office buildings, hotels and shopping malls. The Group generally develops premium properties under the proprietary brand names of "Oasis Garden", "Rich Gate", "Skyway" and "Albany".

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**") and the interim report of the Company for the six months ended 30 June 2015 (the "**2015 Interim Report**"), details of which are as follows:

	For the six months ended 30 June		**For the year ended 31 December**	
	2015	**2014**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Revenue				
– Property development	261,767	808,806	960,402	2,897,110
– Property leasing	60,879	48,582	106,078	88,094
– Hotel operations	97,990	85,218	183,755	184,073
– Corporate and other operations	114,932	86,483	189,721	175,001
Total revenue	*535,568*	*1,029,089*	*1,439,956*	*3,344,278*
Gross profit	94,659	421,748	306,652	956,428
(Loss)/profit before tax	(323,935)	97,629	567,875	499,739
(Loss)/profit attributable to the parent	(261,646)	9,512	(105,954)	200,171

For the year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded a revenue of approximately HK$1,440 million when compared to a revenue of approximately HK$3,344 million for the corresponding period in 2013, representing a decrease of approximately 57%. Loss attributable to the owners of the parent for the year ended 31 December 2014 amounted to approximately HK$106 million when compared to a profit attributable to the owners of the parent for the corresponding period in 2013 of approximately HK$200 million. According to the 2014 Annual Report, the said losses were mainly due to the slackening of the property market in the PRC.

For the six months ended 30 June 2015

For the six months ended 30 June 2015, the Group recorded a revenue of approximately HK$536 million when compared to a revenue of approximately HK$1,029 million for the corresponding period in 2014, representing a decrease of approximately 48%. Loss attributable to the owners of the parent for the six months ended 30 June 2015 amounted to approximately HK$262 million as compared to a profit attributable to the owners of the parent for the corresponding period in 2014 of approximately HK$10 million.

We noted that the Group recorded consecutive losses attributable to the owner of parent for the year ended 31 December 2014 and for the six month ended 30 June 2015.

1.2 Information on China Minsheng Jiaye

As stated in the Letter from the Board, China Minsheng Jiaye is the real estate and industrial investment arm of China Minsheng Investment. The investment scope of China Minsheng Jiaye includes high quality real properties in key cities, investment and operation of multipliable assets, industrialisation of construction, industrial and cold chain logistics, healthcare, theme industry such as aged care and tourist industry, and other high criterion and high profitability industrial investment opportunities. Based on the information provided by China Minsheng Jiaye, the entire equity interest in China Minsheng Jiaye is held by China Minsheng Investment.

In addition, as stated in the Letter from the Board, China Minsheng Investment is a large private investment company in Shanghai which was organised by The All-China Federation of Industry and Commerce in China and launched by 59 large scale private enterprises in China with a registered capital of RMB50 billion, some of which are among China's top 500 companies. China Minsheng Investment is a conglomerate with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management, and investment consulting. Based on the information provided by China Minsheng Jiaye, as at the Latest Practicable Date, no single shareholder of China Minsheng Investment holds more than 4% of the voting rights or paid-up capital of China Minsheng Investment.

1.3 Intention of China Minsheng Jiaye in relation to the Group

As stated in the Letter from the Board, following the Subscription Completion, China Minsheng Jiaye intends to regularly review the operations and business activities of the Company and will explore other opportunities available to the Company. The core strategic focus of the Company will be on quality as opposed to scale for its high quality development projects and renewal projects in the first-tier cities.

It is currently intended that China Minsheng Jiaye will introduce five strategic initiatives to support or grow the business of the Company as follows:

(a) *Injecting assets into the Company*. China Minsheng Jiaye will from time to time seek to inject its high-quality real estate projects or assets into the Company to the extent commercially acceptable, with a view to optimising the assets and capital structure of the Company and improving the stability and sustainability of the business of the Group in the long run. The Company will also seek to explore opportunities in mergers and acquisitions in the real estate sector and to enhance resource allocation, credit rating and market value of the Company.

(b) *Improving the financing structure of the Company*. Leveraging the strength of China Minsheng Investment in integrating its sector and financial capabilities, its high credit rating and its broad scope of licensed financial businesses, the Company will seek to utilise various onshore and offshore financial channels at a lower cost, with a view to improving its profitability significantly over time.

(c) *Focusing on opportunities in first-tier cities.* The Company will seek to focus primarily on high-quality property development opportunities in first-tier cities and particularly aim at seizing quality resources in core areas in Shanghai. The Company will extend its capabilities in primary development of land parcels and urban operation developed in the past years by integrating the same with the broad range of social resources of China Minsheng Investment, with a view to participating in both the upstream and downstream real estate sectors. The Company will also pay close attention to the Shanghai "Thirteenth Five-Year" plan for urban development and the overall development strategies of China, and explore new opportunities in urban redevelopment and renewal, medical and senior properties and cultural tourism and innovative technology properties.

(d) *Refining the existing products and services of the Company.* The Company will seek to reshape and increase the value of its existing brand names of "Rich Gate", "Oasis Garden", "SRE" and "SRE Property", enhance its business positioning in high-quality property development, provide better experience to its customers and enhance its premium capacity. The Company will also seek to take advantage of the size of its customer base in the real estate industry and further develop its internet finance business and the "I love e-home" O2O service platform, with a view to expanding the value-added services segment of its business.

As advised by the management of the Company, among the shareholders of China Minsheng Investment, some of them are sizeable PRC real estate developers who could share the resources with the Company, including the sharing of customer base and valuable investment partners and the exchange of industry experience and knowledge. With the sharing by and cooperation with China Minsheng Investment, the Group would not only refine its existing business but also sharpen the brand name.

(e) *Exploring the international market.* The Company will follow the economic cycle, China's "One Belt One Road" and "Going Global" strategies and the global sector strategy of China Minsheng Investment, and seek to enter major cities in the international market and develop an international asset and property portfolio.

The Shareholders should note that at present, no definitive plan or timing has been determined for implementing any of the above strategies. China Minsheng Jiaye has no current intention to introduce to the Company any new business which is different in nature from the existing business of the Company, or to terminate the continued employment of the employees of the Group.

Having considered the sound financial and business background of China Minsheng Jiaye and the potential benefit to be derived from introduction of strategic initiatives by China Minsheng Jiaye and China Minsheng Investment as disclosed above, the Directors consider that the introduction of China Minsheng Jiaye as a strategic partner will benefit the Group's long term development and bring additional investment opportunities to the Company. The Directors believe that China Minsheng Jiaye will provide sustainable support to the Group as a controlling shareholder of the Company upon completion of the Subscription.

2. Reasons for and Benefits of and Use of Proceed from the Subscription

2.1 Reasons for and Benefits of the Subscription

As disclosed in the annual report of the Group for the fiscal year 2014, the business of the Group has been significantly and negatively affected by the weak macro environment, as a result of which the Group's contracted sales, revenue and net profit have declined significantly over the years. In 2015, the Group's results of operation continued to underperform. In particular, revenue for the six months ended 30 June 2015 decreased by 48% to HK$536 million, as compared to the six months ended 30 June 2014, and loss attributable to owners of parent further deteriorated to reach HK$262 million.

While the Group is suffering declining sales and results of operations, it has expanded significantly in terms of business scale in recent years, which resulted in substantial increases in its cash requirements. As at 30 June 2015, the Group had outstanding borrowings in an aggregate amount of HK$19,172 million and had contracted for capital commitments amounting to HK$3,944 million. Nonetheless, as at the same date, the Group only had HK$2,240 million in cash reserves. A substantial amount of the Group's borrowings will be due before 31 December 2015, putting the Group under immense financial pressure to obtain immediate cash and financial resources and support in order to fund its cash flow requirements in the short term and to improve its financial condition in the medium to long term.

Reference is also made to the announcement of the Company dated 30 October 2015. It was disclosed in the said announcement that, Mainlandcn Ten Company Limited (the "**Purchaser**"), as purchaser, and Sinopower Investment Limited (the "**Vendor**"), a wholly owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement dated 30 October 2015, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire (i) 60% equity interest in Mayson Resources Limited (the "**Target Company**"), a wholly owned subsidiary of the Company which in turn owned 100% equity interest in Shanghai Shuo Cheng Real Estate Co., Ltd.*（上海碩誠置業有限公司）, and (ii) 60% of the principal owed by the Target Company to the Vendor at a total consideration of RMB 547,872,000 (the "**Consideration Payment**") subject to the terms and condition thereunder (the "**Major Disposal**"). The consideration will be settled by cash.

As advised by the management of the Company, in view of the Company's further updated unaudited financial position that (i) as at 30 September 2015, the cash and bank balance of the Group was approximately RMB2,337 million, of which part of the balance was restricted deposit and part of the balance was under close monitoring by the banks and could not be freely utilized by the Group (the "**Non-free Cash Balance**") which aggregated to approximately RMB1,965 million, so only approximately RMB372 million could be freely used by the Group; (ii) assuming completion of the Major Disposal had taken place on 30 September 2015, as at 30 September 2015, the cash and bank balance of the Group would be approximately RMB1,700 million (before accounting for the Consideration Payment), of which the Non-free Cash Balance would be approximately RMB1,330 million, the free cash and bank balances would therefore be approximately RMB918 million (after accounting for the Consideration Payment); (iii) for the three months ending 31 December 2015, the Group is required to repay the principal amount and interest of the Group's outstanding loans in an aggregate amount of RMB2,895 million (or approximately RMB2,365 million after adjustment of the effect from the Major Disposal); and (iv) as advised by the management of the Company, some of the loans such as construction loans are by nature not extendable as stipulated in the terms of the loan documents while for most of other loans, based on preliminary discussions with the lending banks, banks were reluctant to extend the term of the loans unless certain situations of the Company including, inter alia, deteriorating financial performance and liquidity position of the Group and the Measures (as defined below) have been significantly improved and cleared, the Directors believe that without the Subscription, the Group will be under serious liquidity stress and consequently may lead to default in repayment of the borrowings and breach of contracts/agreements and may possibly result in cross default in other borrowings.

It was disclosed in the announcement of the Company dated 9 June 2015 that the Changzhou City People's Procuratorate of the PRC has required Mr. Shi to stay under custody at a designated residence (the "**Measures**"). As at the Latest Practicable Date, save for the information disclosed in the said announcement, the Company is not aware of any update nor have access to new information regarding the Measures. We are given to understand that the Measures is expected to adversely impact on the financing capabilities and liquidity of the Group as (i) Mr. Shi had been actively involving in certain applications for new financing and refinancing for the business operation and development of the Group; and (ii) the aforesaid new financing and refinancing may be subject to the execution of the guarantee to be provided by Mr. Shi. As at the Latest Practicable Date, due to uncertainty of the Measures, certain new financing and refinancing were put on hold. In particular, two major development projects of the Group, namely the urban renewal and construction project located in Shanghai covering a land area of approximately 37,000 square meters at an estimated capital requirement of approximately RMB5,000 million and the residence construction project located in Shenyang covering a land area of approximately 68,000 square meters at an estimated capital requirement of approximately RMB1,800 million, have been slowed down as a result of the Measures and the absence of a strategic investor with strong business and financial background.

As further advised by the management of the Company, based on preliminary discussion with certain banks, they have indicated that without an introduction of a new strategic investor with sound financial background, the relevant financing and refinancing would not further proceed.

In view of the significant cash requirements for repayment of borrowings and its capital expenditures, the Company considers that China Minsheng Jiaye's investment will provide an immediate source of funds to enhance its cash flow in the short term. While China Minsheng Jiaye has provided short-term loans (the "**Short Term Loan**") in an aggregate amount of RMB560 million to the Group during the past three weeks before the Subscription Agreement was concluded and entered into, it is estimated that upon the Subscription Completion, the Company will receive net proceeds amounting to HK$1,486 million from the Subscription. With the strong financial background of China Minsheng Jiaye as the Company's controlling shareholder upon the Subscription Completion, the Subscription is expected to also enable the Group to access to broader financing options and borrow at lower interest costs in the medium to long term. As advised by the management of the Company, without the provision of the Short Term Loan, the Group would fail to repay at maturity a loan of RMB430 million owed by a subsidiary of the Company, putting the Group at high liquidity and operational risk.

Upon the Subscription Completion, China Minsheng Jiaye will also provide a back-to-back indemnity (the "**Back to Back Indemnity**") in favour of the Company, with a view to remedying the undesirable financial implications of the Group's exposure to the contingent liabilities of the Third Party Indebtedness (as disclosed in the announcement of the Company dated 24 September 2015). The aggregate outstanding principal amount of the Third Party Indebtedness as at 31 August 2015 was approximately RMB2,382.7 million and the Group may be required to assume all repayment obligations in the event of payment default by third parties on the Third Party Indebtedness. The Back to Back Indemnity will be given by China Minsheng Jiaye only upon the Subscription Completion as China Minsheng Jiaye will become the controlling shareholder of the Company and it is intended that the Back to Back Indemnity will benefit the Company and all Shareholders as a whole.

Furthermore, the Company considers that the Subscription by China Minsheng Jiaye will bring about significant strategic benefits to the Group due to China Minsheng Jiaye's established operations and experience in the real estate sector in the PRC.

2.2 Use of Proceeds from the Subscription

As stated in the Letter from the Board, the estimated net proceeds from the issue of the Subscription Shares to the Subscribers, after deduction of expenses, are approximately HK$1,486 million. Based on the repayment schedule of existing indebtedness and the existing level of cash reserve of the Group, approximately 70% of the net proceeds from the issue of the Subscription is intended to be used to repay bank loans of the Group. The remaining approximately 30% will be used for general working capital and for the future development of the Group's real estate projects.

On the assumptions that after adjusting the effect from the Major Disposal, the Group would have (i) free cash and bank balances of approximately RMB918 million as at 30 September 2015; and (ii) outstanding loans in an aggregate amount (principal and interest) of approximately RMB2,365 million (after adjustment of the effect from the Major Disposal) falling due during the three months ending 31 December 2015, out of which the Short Term Loan in the amount of RMB560 million due in December 2015 could be extended by China Minsheng Jiaye after the Subscription Completion, the shortfall would be approximately RMB887 million which could be covered by the 70% of the net proceeds allocated. Accordingly, we consider this allocation is reasonable.

Further, (i) as further capital is required for the business development of the Group, in particular, two major development projects of the Group, namely the urban renewal and construction project located in Shanghai covering a land area of approximately 37,000 square meters at an estimated capital requirement of approximately RMB5,000 million and the residence construction project located in Shenyang covering a land area of approximately 68,000 square meters at an estimated capital requirement of approximately RMB1,800 million, (ii) according to the 2014 Annual Report, the annual selling and marketing expenses and the administrative expenses for the past two years were approximately HK$340 million, we consider that the allocation of 30% of the net proceeds from the Subscription, amounting to approximately HK$446 million, for general working capital of the Group's daily operation and its projects, including the pre-construction expenses, such as surveying and design fees, for the said two projects, is reasonable.

As advised by the Directors, as substantial capital is needed for the commencement of construction and development of the said two projects, the Group is in the process of negotiating with banks for further funding.

2.3 Financing alternatives to the Group

As stated in the Letter from the Board, the Company has considered other fund raising methods such as rights issue or open offer, and debt financing and considered that the Subscription is preferable for the following reasons:

(a) it would be difficult for financial institutions to provide facility up to such a substantial amount to the Group as proposed under the Subscription and debt financing would inevitably increase the financial costs of the Group; and

As further discussed with the Directors, with respect to the debt financing and/or bank borrowings, it may be subject to lengthy due diligence and negotiations, in particular given that the Group recorded consecutive losses attributable to the owner of parent for the year ended 31 December 2014 and for the six month ended 30 June 2015 and the weak financial position of the Group. Further, given the liquidity stress faced by the Group, debt financing would incur interest expenses and impose additional financial burden to the Group's future cashflow. In addition, as majority of the Group's assets have been pledged, the Group may not have sufficient collaterals that could be offered to banks for obtaining financing on terms and conditions favorable to the Company.

(b) a pre-emptive issue such as rights issue or open offer would not be able to bring in strategic investors as Shareholders, particularly China Minsheng Jiaye with a strong background and professional expertise.

As further discussed with the Directors, with respect to a pre-emptive issue such as rights issue and open offer, given that the loss making performance, the weak financial position and the uncertainty and possible adverse effect to be imposed by the Measures and the Financing Transactions, the Group considered that it would be challenging to find a underwriter to conduct a pre-emptive issue at favorable terms to the Group and to raise such substantial amounts. In addition, as compared to the Subscription, a pre-emptive issue would require a relatively longer time to carry out which is considered to be unfavorable to the Company given the urgent need of capital by the Group.

As further advised by the Directors, save for the Subscribers, the Company was unable to secure other potential investors which could proceed to the entering into of legally binding agreement at the relevant time.

In light of the above, we concur with the Directors that there are no other best available financing alternatives for the Group to consider other than the Subscription at the relevant time. In addition, taking into consideration that the Subscription (i) provides a good opportunity to raise substantial amounts of funds for the Group and (ii) will allow the Subscriber to become the controlling Shareholders and therefore the Group can take advantages of the Subscriber's sound financial and business background for future financing, business development and/or investment opportunities, we therefore consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

3. Principal Terms of the Subscription Agreement

3.1 The Subscription

On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye and the Investors) and SREI entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share for a total cash consideration of HK$1,490,000,000.

Details of the amount of subscription monies, the number of Subscription Shares and the percentage shareholding (on the basis of the issued share capital of the Company as enlarged by the Subscription Shares) of each of the Subscribers are set out in the sub-section headed "The Subscription" under the section headed "The Subscription Agreement" in the Letter from the Board.

The distribution of the Subscription Shares among the Subscribers was a result of arm's length negotiations between the Company and the Subscribers with reference to a number of considerations, including: (1) capital needs of the Company; (2) the public float requirement under the Listing Rules; (3) investment objectives of each of the Subscribers; and (4) China Minsheng Jiaye becoming the single largest shareholder of the Company holding more than 50% of the enlarged issued share capital upon the Subscription Completion, an intention which has been stated in the memorandum of understanding entered into between the Company, China Minsheng Jiaye and SREI on 12 September 2015.

We noted that upon Subscription Completion, the shareholding of China Minsheng Jiaye and the public shareholders in the Company will be approximately 60.78% and 25.11% respectively, as disclosed in the section headed "5. Potential Dilution Effect on Shareholding" below, and as a result, the Company will be able to meet the public float as required under the Listing Rules. In addition, in view of the limited free cash and balance of the Group as at 30 September 2015 and the significant cash requirements required by the Group to meet repayment of borrowings and its capital expenditures as discussed in section headed "2.1 Reasons for and benefit of the Subscription" above, the Group has immediate capital needs.

The 14,900,000,000 Subscription Shares represent: (i) approximately 263.03% of the existing issued share capital of the Company; and (ii) approximately 72.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

3.2 The Subscription Price

The Subscription Price for the Subscription of HK$0.10 per Subscription Share represents:

(a) a discount of approximately 72.60% to the closing price of HK$0.365 per Share on the Latest Practicable Date;

(b) a discount of approximately 74.36% to the closing price of HK$0.390 per Share on the Last Trading Day;

(c) a discount of approximately 73.33% to the average closing price of HK$0.375 per Share for the last 5 Trading Days immediately prior to and including the Last Trading Day;

(d) a discount of approximately 73.54% to the average closing price of HK$0.378 per Share for the last 10 Trading Days immediately prior to and including the Last Trading Day;

(e) a discount of approximately 93.73% to the NAV of approximately HK$1.595 per Share as at 31 December 2014, based on the Annual Report of the Company for the year ended 31 December 2014; and

(f) a discount of approximately 93.55% to the NAV of approximately HK$1.550 per Share as at 30 June 2015, based on the Interim Report of the Company for the six months ended 30 June 2015.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to, and was agreed at a discount of the then prevailing and historical trading prices of the Shares and the NAV per Share after taking into account, certain factors including:

(i) the weak business performance of the Group, in particular the continuing losses attributable to owners of the parent for the six months ended 30 June 2015 and the year ended 31 December 2014, and the potential strategic benefits to brought by China Minsheng Jiaye's Subscription for a controlling interest in the Company given China Minsheng Jiaye's strong business background, industry expertise and financing capability;

(ii) the significant indebtedness and funding requirements of the Group as at 30 September 2015 and the Short Term Loan in the amount of RMB560 million provided by China Minsheng Jiaye to the Group to satisfy the Group's short term indebtedness repayment obligations; and

(iii) the contingent liabilities of the Group in respect of the Third Party Indebtedness and the back-to-back indemnity to be provided by China Minsheng Jiaye which is intended to remedy the undesirable financial implications of the Group's exposure to such contingent liabilities.

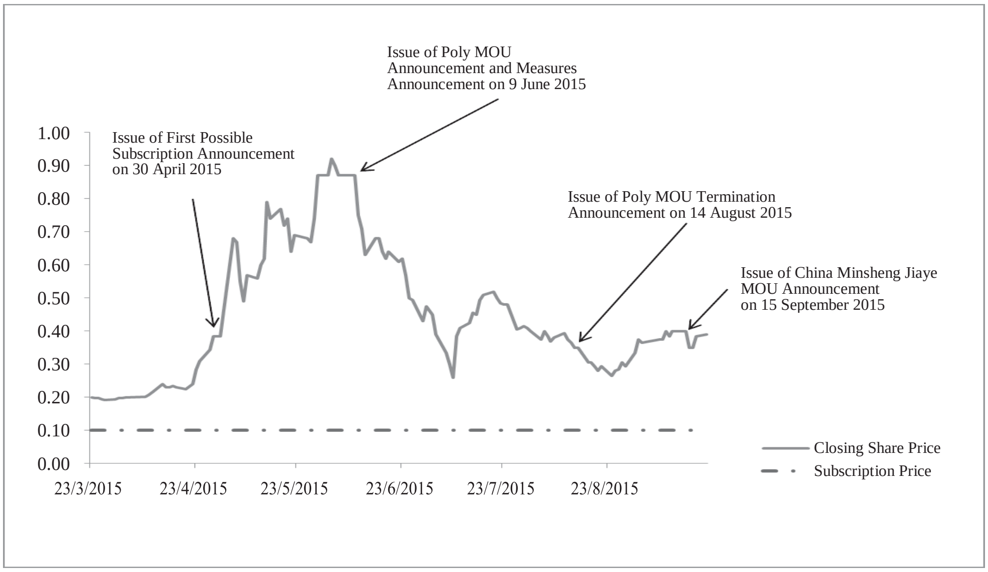
For a more detailed discussion of the above factors, please refer to the sub-sections headed "Other Information – Intention in relation to the Group", "Other Information – Reasons for and Benefits of the Subscription" and "Other Arrangement" in the Letter from the Board.

In order to assess the fairness and reasonableness of the Subscription Price, we have conducted the following analyses:–

3.2.1 Comparison with Historical Shares Price Performance

We have reviewed the daily closing Share price for the period from 22 March 2015 to 21 September 2015 (the "**Review Period**"), being the Last Trading Day and consider that such six months period would be sufficient to smooth out the effects of any short term fluctuations in the stock market.

The chart below illustrates the daily closing Share price for the period from 22 March 2015 to 21 September 2015, being the Last Trading Day:–



Source: the website of the Stock Exchange

During the period from 22 March 2015 to 28 April 2015, the Shares closed between HK$0.192 and HK$0.385 with an average of approximately HK$0.23.

On 28 April 2015, the trading in Shares was halted. Subsequently, the Company issued an announcement dated 30 April 2015 stating the Company was in negotiation with several strategic investors concerning possible investment in the Company by way of subscription of new shares (the "**First Possible Subscription Announcement**"). The trading of Shares was then resumed on 4 May 2015. The closing Share price surged to HK$0.68 on 4 May 2015, representing an increase of approximately 76.62% as compared to the closing Share price of HK$0.385 on 28 April 2015. For the period between 4 May 2015 and 4 June 2015, the closing Share prices were at a peak range between HK$0.49 and HK$0.92.

On 5 June 2015, the trading in Shares was suspended. Subsequently, the Company issued an announcement dated 9 June 2015 (the "**Poly MOU Announcement**") in relation to, among others a non-binding memorandum of understanding (the "**Poly MOU**") was entered into between the Company, SREI and Poly Real Estate Group Co.,Ltd. ("**Poly Real Estate**"), under which Poly Real Estate expressed an interest to subscribe for (or to procure its wholly-owned subsidiary to subscribe for) the Shares to be allotted and issued by the Company for subscription at HK$0.25 per Share involving possible application for whitewash waiver. On the even date, the Company also issued an announcement (the "**Measures Announcement**") in relation to, among other, the Measures. The trading in Shares was then resumed on 10 June 2015. The closing Share price was plunged to HK$0.75 on 10 June 2015 and the closing Share prices were between HK$0.26 and HK$0.75 for the period from 10 June 2015 to 13 August 2015.

On 14 August 2015, the trading in Shares was halted. Subsequently, the Company issued an announcement dated 14 August 2015 (the "**Poly MOU Termination Announcement**") in relation to, among others, a termination agreement was entered into between the Company, SREI and Poly Real Estate to terminate the Poly MOU. The trading in Shares was then resumed on 17 August 2015 and the closing Share prices were between HK$0.265 and HK$0.40 for the period from 17 August 2015 to 11 September 2015.

On 14 September 2015, the trading in Shares was halted. Subsequently, the Company issued an announcement dated 15 September 2015 (the "**China Minsheng Jiaye MOU Announcement**") in relation to, among others, a memorandum of understanding was entered into between the Company, SREI and China Minsheng Jiaye, under which China Minsheng Jiaye expressed an interest to, directly or indirectly through a wholly-owned subsidiary, subscribe for the Shares to be allotted and issued by the Company for subscription at HK$0.10 per Share. The trading in Shares was then resumed on 16 September 2015 and the closing Share prices were between HK$0.35 and HK$0.39 for the period from 16 September 2015 to 21 September 2015 prior to trading suspension on 22 September 2015.

On 4 November 2015, the trading in Shares was resumed.

Having considered the above, we consider that the Subscription Price when taken on its own is not fair and reasonable as the Subscription Price is below the closing Share prices during the Review Period at all times.

3.2.2 Comparison with Net Asset Value of the Group

As stated in the Letter from the Board, the Subscription Price of HK$0.10 represents approximately 93.5% to the NAV of approximately HK$1.550 per Share as at 30 June 2015, based on the Interim Report of the Company for the six months ended 30 June 2015.

We consider that the Subscription Price which was at a significant deep discount to the NAV per Share when taken on its own is not fair and reasonable.

For the references of the Independent Shareholders, we have discussed with the management of the Company and were given to understand that:–

(i) as at 30 September 2015, the cash and bank balance of the Group was approximately RMB2,337 million, of which approximately RMB1,965 million is Non-free Cash Balance, so only approximately RMB372 million can be freely used by the Group (before adjusting for the effect of the Major Disposal);

(ii) for the three months ending 31 December 2015, the Group is required to repay the principal amount and interest of the Group's outstanding loans in an aggregate amount of RMB2,895 million (before adjusting for the effect of the Major Disposal). Based on the unaudited preliminary figures above, the Company is under serious liquidity shortfall and is facing substantially high insolvency risk;

(iii) without the provision of the Short Term Loan of RMB560 million granted by China Minsheng Jiaye to meet the repayment of principal and interest of certain borrowings of the Group, the Group could have defaulted on such payments leading to acceleration of immediate repayment obligation of the Group for the said total borrowings amounting to an aggregate of approximately RMB9,300 million;

(iv) should the Group fail to obtain external financing, it would be required to generate internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at market price, or at all, or within a short period so as to meet the financial needs of the Group promptly;

(v) without an introduction of a new strategic investor with sound financial background, the Group would have less bargaining power in securing future financing and re-financing which in turn would have negative impact on the business operation and development of the Group; and

(vi) upon the Subscription Completion, China Minsheng Jiaye is expected to introduce five strategic initiatives to support or grow the business of the Company, including injecting high-quality real estate projects into the Company and improving the financing structure of the Company by leveraging on, among others, China Minsheng Jiaye's financial capabilities and high credit rating to seek various financial channels at a lower cost.

Therefore, the Directors considered that the NAV per Share by itself did not and should not form a substantial part of consideration in judging the terms of the Subscription under the current severe situation and position as discussed above faced by the Group.

We have discussed with the Directors regarding the need to prepare any updated valuation on the assets of the Group. The Directors hold the view that no valuation on the assets of the Group might be required as even with an updated valuation with further increment in valuation, the Subscription Price will still be at a significant deep discount to the NAV per Share. We concur with the view of the Directors a valuation report will not provide material information that would result in an radical change in our view that the Subscription Price when taken on its own is not fair and reasonable since it was at a significant deep discount to the NAV per Share as at 30 June 2015.

3.2.3 Assessment on the Subscription Price after considering the other arrangements

Reference is made to the announcement of the Company on 24 September 2015 (the "**Financing Transaction Announcement**") and 3 November 2015 regarding certain Financing Transactions (as defined therein). In connection with those Financing Transactions, the Company and/or certain of its subsidiaries were found to have executed certain guarantee and a mortgage in favour of banks for the Third Party Indebtedness of certain connected persons of Mr. Shi Jian. The aggregate outstanding principal amount of the Third Party Indebtedness as at 31 August 2015 was approximately RMB2,382.7 million.

Based on the preliminary investigation of the Company, taking into account the Company's enquiries with the borrowers of the Third Party Indebtedness and the lenders, (a) the total outstanding balance of the loans secured by the Financing Transactions was RMB2,382,740,000 (equivalent to approximately HK$2,906,942,800) as of 31 August 2015; (b) the Group does not have any immediate risk of monetary damages as there has been no default in repayment of the borrowers on any of the loans; (c) all the loans secured by the Financing Transactions (save and except the Fifth Loan with an outstanding balance of RMB30,000,000 (equivalent to approximately HK$36,600,000) as of 31 August 2015) were also secured by mortgages or charges over properties, land or equity provided by the borrowers of the Third Party Indebtedness (collectively, the "**Security by Connected Persons**"), with market value of the Security by Connected Persons being above the current outstanding balance of the loans; and (d) the Company was informed by the borrowers that they intend to make, and are capable of making, punctual repayments on the loans in accordance with the repayment schedules. On that basis, the Board considers that the Financing Transactions have not brought about any immediate risks of material adverse impact on the financial position of the Group. However, the Company wishes to emphasize that the above findings and analysis are of a preliminary nature.

Due to the Financing Transactions, the Group may be required to assume all repayment obligations in respect of the Third Party Indebtedness in the event of payment default on the Third Party Indebtedness. In order to remedy the undesirable financial implications of the Group's exposure to the contingent liabilities of the Third Party Indebtedness, China Minsheng Jiaye will, upon the Subscription Completion, provide the Back to Back Indemnity in favour of the Company to indemnify and hold harmless the Group from and against any losses and costs that it has incurred as a result of the performance of the Financing Transactions by the Company or any of its subsidiaries, on the term that the Company shall account to China Minsheng Jiaye any proceeds, compensation or money that it may have received or recovered from any persons in relation to the Third Party Indebtedness as a result of the enforcement of the existing collateral provided to the lending banks by the borrowers of the Third Party Indebtedness or otherwise.

If it was later discovered that the Company has provided undisclosed guarantee(s) for other third party indebtedness:

(a) China Minsheng Jiaye will not be required to provide further back-to-back indemnity in favour of the Company, but it may consider doing so at that time depending on, among other factors, the circumstances and amount of the contingent liabilities involved; and

(b) it will constitute a breach of representation under the Subscription Agreement and as a result China Minsheng Jiaye will have the right to decide not to proceed with the Subscription Completion.

To further mitigate the potential loss arising from the Financing Transactions, on 3 November 2015, SREI and Madam Si Xiao Dong entered into an irrevocable and unconditional undertaking in favour of the Company (on its own and its subsidiaries' behalf) to indemnify and hold harmless the Group for any losses arising from its payment obligations arising from the Financing Transactions (the "**SREI Indemnities**").

The Directors are of the view that the SREI Indemnities will, together with the Back to Back Indemnity, be able to relieve the Group of the undesirable risk exposure, contingent liabilities and uncertainties caused by the Financing Transactions.

As disclosed in the Financing Transactions Announcement, the Board has established an investigation committee (the "**Investigation Committee**"), comprising all the independent non-executive Directors as members, to further investigate the Financing Transactions and to review the internal control system of the Group.

Please refer to the section headed "Other Arrangement" in the Letter from the Board for more details on (i) the work that has been performed by the Company to identify unreported transactions, if any, which might have been executed by Mr. Shi Jian for and on behalf of the Group prior to his custody at a designated residence as required by the Changzhou City People's Procuratorate of the PRC as announced by the Company on 9 June 2015 and his suspension of duties on 21 September 2015; (ii) the view of the Investigation Committee; and (iii) the procedures resolved by the Investigation Committee to prevent the occurrence of similar incidents in future.

The Company has carefully considered the existing disclosure of the Company's annual reports, taking into account, in particular, the facts that: (a) there has been no default in repayment of the borrowers on any of the loans; (b) all the loans secured by the Financing Transactions (save and except the Fifth Loan (as defined therein). With an outstanding balance of RMB25,000,000) were also secured by the Security by Connected Persons, with market value of the Security by Connected Persons being above the current outstanding balance of the loans; (c) the Company was informed by the borrowers that they intend to make, and are capable of making, punctual repayments on the loans in accordance with the repayment schedules; (d) subject to completion of the Subscription, China Minsheng Jiaye has agreed to provide the Back to Back Indemnity to fully indemnify and hold harmless the Group for any losses arising from its payment obligations arising from the Financing Transactions; and (e) each of SREI and Madam Si Xiao Dong also provided the SREI Indemnities to indemnify and hold harmless the Group for any losses arising from its payment obligations arising from the Financing Transactions.

After considering the above, in particular the provision of the Back to Back Indemnity and the SREI Indemnities in favour of the Company, the Company is of the view that (a) no provision is required to be made in connection with the provision of guarantees and collaterals under the Financing Transactions; and (b) there is no need to restate the net assets and net profit of the Group as reported in the Company's annual report for 2014 and previous years if all conditions stated in the paragraph above are satisfied.

The Company will closely monitor the development of the matters relating to the Financing Transactions and will make further announcements as and when there is significant development of the matters. So far as the Company is aware, as at the Latest Practicable Date, there is no other inside information that is required to be disclosed.

In view of (i) the assessment on the impact of the Third Party Indebtedness to the Group, including but not limited to the assessment on the market value of the Security by Connected Persons, which is of preliminary nature after reviewing the preliminary valuation on the said security; (ii) the borrowers not being under control of the Group and the risk that the borrowers cannot be procured at all times to make payments under the Third Party Indebtedness; (iii) the limitations that the disposal of the Security by Connected Persons, in particular, the properties and land could be lengthy and there is no guarantee that the said security could be liquidated at the market value; (iv) undue time and cost that may be incurred by the Group should it proceed with any legal action against the borrowers to recover any loss borne by the Group as a result of their failure on repayment of the Third Party Indebtedness and (v) despite the provision of the SREI Indemnities, the right to which the Group is entitled to request China Minsheng Jiaye to meet the repayment obligations in respect of the Third Party Indebtedness, we are of the view that it is commercially justifiable to factor in the Back to Back Indemnity in the amount of up to RMB2,382,740,000 (equivalent to approximately HK$2,906,942,800) for the purpose of assessing the reasonableness and fairness of the overall terms of the Subscription on a balancing basis.

3.3 Subscription Conditions

The Subscription Completion is conditional upon, inter alia, the following Subscription Conditions having been satisfied (or, if applicable, waived):

(a) the Share Capital Increase being approved by the Shareholders, the Subscription, the Specific Mandate and the appointment of directors nominated by China Minsheng Jiaye being approved by the LR Independent Shareholders, and the Subscription and the Whitewash Waiver being approved by the TC Independent Shareholders, in each case by way of poll at the SGM;

(b) the Executive having granted to China Minsheng Jiaye (and parties acting in concert with it) the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied;

(c) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to Subscription Completion;

(d) China Minsheng Jiaye having completed its due diligence on the Company and being satisfied with its results;

(e) the representations and warranties of the Company and SREI set out in the Subscription Agreement remaining true, accurate, complete and not misleading on Subscription Completion, and the Company and SREI having complied with all of their undertakings (including those in relation to pre-completion undertakings and covenants) under the Subscription Agreement;

(f) from the date of the Subscription Agreement until the Subscription Completion Date, the Shares continuing to be listed and traded on the Stock Exchange (except for suspension of trading in connection with the Subscription Agreement or suspension of trading for not more than five trading days) and no requests having been received from the SFC and/or the Stock Exchange that the listing status of the Shares on the Stock Exchange will be revoked or cancelled as a result of the completion under the Subscription Agreement or any terms thereunder or other matters;

(g) from the date of the Subscription Agreement until the Subscription Completion Date, no person (except a party to the Subscription Agreement) having obtained a binding order from any relevant authorities restricting or prohibiting any party to the Subscription Agreement to complete the transactions contemplated thereunder at any relevant authorities and the Subscription Agreement and the transactions contemplated thereunder comply with applicable laws and regulations;

(h) all relevant government authorities or regulatory authorities or other relevant third parties (including banks and other creditors) having granted to the Company or the Subscribers all necessary consents, approvals, reports and filings (if applicable) in respect of the entry into and performance of the Subscription Agreement;

(i) since the date of the Subscription Agreement, (i) there having been no events, conditions, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse change or effect on the business, operations, assets or liabilities, financial conditions or prospects of the Group or any of its subsidiaries (as applicable) and; (ii) there having been no change in the applicable laws in each of the jurisdictions in which the Group has business operations which may lead to material and adverse effect to the Group as a whole;

(j) the Subscribers having received a legal opinion issued by Bermuda counsel on matters of Bermuda law in a form reasonably satisfactory to the Subscribers; and

(k) the Company and its subsidiaries not having defaulted any of its contractual obligations under any agreements, tenancies, mortgages, charges, trust deeds, notes or bonds.

The Subscribers may at any time waive any or all of the Subscription Conditions set out in paragraphs (d) through (k) of the sub-section headed "Subscription Conditions" above. The remaining Subscription Conditions cannot be waived.

If the Subscription Conditions have not been satisfied or waived by the parties on or before the Long Stop Date, the Subscription Agreement will be terminated, but without prejudice to any rights accrued by the parties prior to termination.

As at the Latest Practicable Date, none of the Subscription conditions has been satisfied or waived.

3.4 Event of Default

Each party to the Subscription Agreement has undertaken to make its best efforts to complete the Subscription. Subject to the absence of any material risks in the due diligence review by China Minsheng Jiaye and to its satisfaction with the due diligence results, any failure to perform the foregoing undertaken obligation on the part of any party to the Subscription Agreement will constitute an Event of Default and will result in liability for liquidated damages in the amount of RMB200 million (the "**Default Arrangement**").

The amount of the liquidated damages was determined after arm's length negotiations between the parties, taking into consideration various factors, including: (1) cost of capital in respect of the subscription monies; (2) the size of the Subscription and the Short Term Loan; (3) the risk of default with respect to the Subscription (especially in view of the termination of the Poly MOU); (4) the risk of default with respect to the Short Term Loan; and (5) the determination of the parties to complete the Subscription.

As discussed with the management of the Company, we noted (i) that the Default Arrangement is bilateral on China Minsheng Jiaye and the Company; (ii) the Default Arrangement is designed to facilitate the Subscription; and (iii) the Default Arrangement is found to be a common practice in a typical commercial transaction.

As announced by the Company on 15 September 2015, in view of the capital needs of the Group in the near term, China Minsheng Jiaye intended to provide an interest-bearing short-term loan to the Group. On 16 September 2015, the Company and certain of its subsidiaries entered into the Loan Agreement with China Minsheng Jiaye, whereby (a) a 3 month Short Term Loan in the amount of RMB560 million at an interest rate of 12% per annum was provided by China Minsheng Jiaye to the Group; (b) the obligations of the borrower were secured by the corporate guarantee of the Company and the personal guarantee of Mr. Shi Janson Bing (an executive Director of the Company); and (c) share charges were entered into by certain subsidiaries of the Company by way of collaterals in support of the Short Term Loan.

As discussed with the management of the Company, the said interest rate was determined between the Company and China Minsheng Jiaye with reference to (i) the Group conducted several trust loans in the PRC with annual total cost, covering interest rate and administration charge, ranging from 9% to 16.0% and they were mainly secured by high quality fixed assets; (ii) the Short Term Loan is secured by soft assets, namely equity interest of two subsidiaries of the Company where majority of their assets have already been charged to third party; and (iii) the Group was unable to secure bank financing at the relevant time given, without limitation to, the deteriorating financial performance and liquidity position of the Group and the Measures.

It is agreed that if an Event of Default occurs, the Group shall repay the Short Term Loan (and accrued interest) to China Minsheng Jiaye in full within five days after the occurrence of the Event of Default.

3.5 The Subscription Completion

Pursuant to the Subscription Agreement, the Subscription Completion shall take place on the second Business Day following the notification of the satisfaction or waiver of the Subscription Conditions. It is the intention of the parties to complete the Subscription as soon as practicable in accordance with the terms and conditions of the Subscription Agreement. Subject to the satisfaction or waiver of the Subscription Conditions, the Company currently expects that the Subscription Completion will likely take place no later than 31 December 2015.

3.6 Other terms

The Subscription Shares will, when issued, rank *pari passu* in all respects with the other Shares then in issue, including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment, free and clear of liens, charges, security interests, encumbrances and third party rights.

In connection with the Subscription, the Company and SREI have given certain representations and warranties to the Subscribers in respect of, among other things, the underlying business and operations of the Group, ownership of the properties owned by the Group, compliance with applicable laws and litigation against the Group.

At the SGM, the Company will seek the Specific Mandate from the LR Independent Shareholders in order to issue the Subscription Shares.

4. Financial Effect of the Subscription

It should be noted that the below analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon Completion and the issue of the Subscription Shares pursuant to the Subscription:

4.1 Working capital

According to the 2015 Interim Report, as at 30 June 2015, the Group had cash and bank balances of approximately HK$2,240 million, a total current assets of approximately HK$29,051 million, and a total current liabilities of approximately HK$15,855 million. As at 30 June 2015, the current ratio (calculated as total current assets divided by total current liabilities) of the Group was at approximately 1.83 times and the net current assets of the Group was at approximately HK$13,196 million. Given that the Subscription will bring in new capital (after expenses) of approximately HK$1,486 million upon the Subscription Completion, it is expected that both the cash position and the current asset position of the Group will be enhanced.

4.2 Net asset value

As advised by the Directors, the Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds received under the Subscription; and (ii) an increase by the relevant amount in the issued capital of the Company.

As at 30 June 2015, the net asset value attributable to owners of the parent (the "**NAV**") was at approximately HK$8,778 million and the Company has 5,664,713,722 issued Shares, resulting in the NAV per Share of approximately HK$1.55.

Upon issuance of 14,900,000,000 Subscription Shares and receipt of an aggregate net proceeds of HK$1,486 million under the Subscription, the NAV would be at approximately HK$10,264 million and the Company would have 20,564,713,722 issued Shares, resulting in the NAV per Share of approximately HK$0.50. As illustrated, it is expected that there would be a dilutive effect on the NAV per Share of approximately HK$1.05 per Share or 67.74% on a comparison basis.

4.3 Earnings

The management of the Company has confirmed that the Subscription would not have material adverse effect to the earnings of the Group immediately upon Subscription Completion.

As advised by the Directors, on the basis that the Subscription would not have material effect to the earnings of Group, it is expected that the earnings per share of the Group would be lowered as a result of the issuance of 14,900,000,000 Subscription Shares.

4.4 Gearing ratio

As at 30 June 2015, the gearing ratio of the Group, being the Group's net borrowings (total borrowings minus cash and bank balance) to total capital (total equity plus net borrowings), was 65%. As advised by the management of the Company, it is expected that upon the Subscription Completion, the Group's total equity will be increased by the amount of net proceeds from the Subscription while the Group's total liabilities will not be affected. Accordingly, it is expected that the gearing ratio of the Group would be improved upon the Subscription Completion.

5. Potential Dilution Effect on Shareholding

The table below sets out the shareholding structure of the Company: (a) as at the Latest Practicable Date; and (b) immediately after the Subscription Completion:

	As at the Latest Practicable Date		**Immediately after the Subscription Completion**	
	No. of Shares	*%*	*No. of Shares*	*%*
SREI	2,889,659,128	51.01	2,889,659,128	14.05
Directors				
Mr. Shi Jian & Madam Si Xiao Dong *(Note 1)*	13,009,315	0.23	13,009,315	0.06
Mr. Zhuo Fu Min *(Note 2)*	160,000	0.00	160,000	0.00
China Minsheng Jiaye	–	–	12,500,000,000	60.78
Public shareholders				
Investor A	–	–	700,000,000	3.40
Investor B	–	–	500,000,000	2.43
Investor C	–	–	500,000,000	2.43
Investor D	–	–	500,000,000	2.43
Investor E	–	–	200,000,000	0.98
Existing public shareholders	2,761,885,279	48.76	2,761,885,279	13.44
Public sub-total	*2,761,885,279*	*48.76*	*5,161,885,279*	*25.11*
Total	**5,664,713,722**	**100.00**	**20,564,713,722**	**100.00**

Notes:

1. Mr. Shi Jian is a director of the Company and holds 13,006,991 Shares. Madam Si Xiao Dong is Mr. Shi Jian's spouse and holds 2,324 Shares.

2. Mr. Zhuo Fumin is a director of the Company. His spouse, Madam He Pei Pei, holds 160,000 Shares.

As illustrated above, the shareholding of the existing public shareholders would be reduced from approximately 48.76% as at the Latest Practicable Date to 13.44% immediately after the Subscription Completion, representing a decrease of 35.32%.

There will be substantial dilution to the shareholding of the existing public shareholders as a result of the Subscription and we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription is not fair and reasonable given the deep discount of the Subscription Price to the NAV per Share as at 30 June 2015 and the effect of the Subscription on the net asset value as discussed above.

6. The Whitewash Waiver

China Minsheng Jiaye and parties acting in concert with them do not (as at the Latest Practicable Date) own, control or direct any Shares or convertible securities, warrants or options (or outstanding derivatives) in respect of Shares.

Upon the Subscription Completion, China Minsheng Jiaye and parties acting in concert with them will hold 12,500,000,000 Shares, representing approximately 60.78% of the voting rights of the Company as enlarged by the issue of the Subscription Shares. As a result, China Minsheng Jiaye and parties acting in concert with them will be obliged to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by China Minsheng Jiaye and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

China Minsheng Jiaye has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code which, if granted, will be subject to, among other things, approval by the TC Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the SGM by way of poll. Shareholders should note that the granting by the Executive of the Whitewash Waiver and the approval of the TC Independent Shareholders are part of the Subscription Conditions and cannot be waived. Therefore, unless the Whitewash Waiver is granted, the Subscription will not proceed.

Shareholders should also note that if the Whitewash Waiver is approved by the TC Independent Shareholders, the shareholding of China Minsheng Jiaye in the Company will exceed 50% upon the Subscription Completion. China Minsheng Jiaye may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Having taken into consideration, among others,

(i) the Group recorded consecutive losses attributable to the owner of the parent for the year ended 31 December 2014 and for the six months ended 30 June 2015 as disclosed in the sub-section headed "1.1 Information on the Group" of this letter above;

(ii) the potential benefit to be derived from the introduction of strategic initiatives by China Minsheng Jiaye, who is equipped with strong business background and industry expertise on the PRC property market, being the principal business of the Group, to support or grow the business of the Company as disclosed in the sub-section headed "1.3 Intention of China Minsheng Jiaye in relation to the Group" of this letter above;

(iii) the reasons and benefits of the Subscription to the Company as disclosed in the sub-section headed "2.1 Reasons for and Benefits of the Subscription" of this letter above, including but not limited to the urgent need of new capital by the

Group to meet its short term cash flow requirements and the positive impact on the financing and refinancing activities of the Group from introducing China Minsheng Jiaye as a strategic investor; and

(iv) the provision of the Back to Back Indemnity will benefit the Company from eliminating the undesirable exposure to the contingent liabilities of the Third Party Indebtedness,

we are of the view that the Whitewash Waiver, which is a prerequisite for Subscription Completion, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription Completion.

RECOMMENDATION

Having considered that:–

(i) the Subscription Price is below the closing Share prices during the Review Period at all time, details of which are disclosed in the sub-section headed "3.2.1 Comparison with Historical Shares Price Performance";

(ii) the Subscription Price was at was at a significant deep discount to the NAV per Share as at 30 June 2015 as details of which are disclosed in the sub-section headed "3.2.2 Comparison with Net Asset Value of the Group",

we consider that the Subscription Price when taken on its own is not fair and reasonable.

However, having considered that:–

(i) upon the Subscription Completion, China Minsheng Jiaye is expected to introduce five strategic initiatives to support or grow the business of the Company, including injecting high-quality real estate projects into the Company and improving the financing structure of the Company by leveraging on, among others, China Minsheng Jiaye's financial capabilities and high credit rating to seek various financial channels at a lower cost, details of which are disclosed in the sub-section headed "1.3 Intention of China Minsheng Jiaye in relation to the Group;

(ii) on the assumptions that after adjusting the effect from the Major Disposal, the Group would have (i) free cash and bank balances of approximately RMB918 million as at 30 September 2015; and (ii) outstanding loans (principal plus interest) in an aggregate amount of RMB2,365 million falling due during the three months ending 31 December 2015, out of which the Short Term Loan in the amount of RMB560 million due in December 2015 could be extended by China Minsheng Jiaye after the Subscription Completion, the shortfall would be approximately RMB887 million which could be covered by the 70% of the net proceed allocated, details of which are disclosed in the sub-section headed "2.2 Use of Proceeds from the Subscription;

(iii) the Company has considered other fund raising methods, but there were no other best available financing alternatives for the Group to consider other than the Subscription at the relevant time, details of which are disclosed in the sub-section headed "2.3 Financing alternatives to the Group;

(iv) save for the Subscribers, the Company was unable to secure other potential investors which could proceed to the entering into of legally binding agreement at the relevant time.

(v) the Back to Back Indemnity to be provided by China Minsheng Jiaye will benefit the Company from eliminating the undesirable exposure to the contingent liabilities of the Third Party Indebtedness;

(vi) without the provision of the Short Term Loan of RMB560 million granted by China Minsheng Jiaye to meet the repayment of principal and interest of certain borrowings of the Group, the Group could have defaulted on such payments leading to acceleration of immediate repayment obligation of the Group for the said borrowings amounting to an aggregate of approximately RMB9,300 million;

(vii) Should the Group fail to obtain external financing, it would be required to generate internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at market price, or at all, or within a short period so as to meet the financial needs of the Group promptly; and

(viii) without an introduction of a new strategic investor with sound financial background, such as China Minsheng Jiaye, the Group would have less bargaining power in securing future financing and re-financing which in turn would have negative impact on the business operation and development of the Group,

we consider that, despite the Subscription Price when taken on its own is not fair and reasonable, on balance, the terms of the Subscription as a whole and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole given that without the Subscription, the Group would fail to duly repay outstanding loans in an aggregate amount of RMB2,365 million (including interest) which are due for payment during the three months ending 31 December 2015 (after adjusting the effect from the Major Disposal) and consequently may possibly result in cross default in other borrowings, putting the Group at a significantly high insolvency risk.

Considering the potential risks facing by the Company, we therefore recommend the IBC to advise the Independent Shareholders to vote in favour of the relevant resolutions to approve the Subscription and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Amasse Capital Limited

May Tsang
Director

Stephen Lau
Associate Director