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

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LISI GROUP (HOLDINGS) LIMITED

利時集團(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



All capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 56 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 57 of this circular. A letter from Guangdong Securities, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 58 to 86 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on 7 June 2013, at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong is set out on pages 288 to 290 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk).

Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

22 May 2013

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DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Wealthy Honor by the Company from Shi Hui pursuant to the terms of the Sale & Purchase Agreement;
“Announcement”	the announcement dated 5 March 2013 issued by the Company in relation to, among others, the Acquisition and the Continuing Connected Transactions;
“Associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Big-Max”	Big-Max Manufacturing Co., Limited (達美製造有限公司), a company incorporated in Hong Kong with limited liability, a controlling Shareholder and connected person of the Company;
“Board”	the board of Directors;
“Bondholder”	the holder of any Consideration Convertible Bonds;
“Business Day”	a day (other than Sunday) on which banks in Hong Kong are open for business in Hong Kong generally throughout their normal business hours;
“BVI”	the British Virgin Islands;
“Company”	Lisi Group (Holdings) Limited (利時集團(控股)有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration of HK\$892,800,000 payable by the Company in respect of the Acquisition under the Sale & Purchase Agreement;
“Consideration Convertible Bonds”	the convertible bonds in the principal amount of HK\$382,800,000 to be issued by the Company to Shi Hui (and/or its nominees as it may direct) to settle part of the Consideration;
“Consideration Shares”	the 1,700,000,000 new Shares to be allotted and issued by the Company to Shi Hui (and/or its nominees as it may direct) to settle part of the Consideration, and a “Consideration Share” shall be construed accordingly;

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“Continuing Connected Transactions”	the continuing connected transactions between New JoySun Group and Lisi Group;
“Conversion Shares”	the 1,276,000,000 new Shares which may fall to be allotted and issued upon conversion of the Consideration Convertible Bonds at the initial conversion price;
“Da Mei (Ningbo) Electrical Appliance”	達美(寧波)電器有限公司 (Da Mei (Ningbo) Electrical Appliance Limited*), a Sino-foreign equity joint venture company established in the PRC which will be converted into a wholly foreign owned enterprise upon completion of the Reorganisation;
“Director(s)”	the director(s) of the Company;
“Enlarged Group”	the Group (including the Target Group) following completion of the Acquisition;
“EUR”	Euro, the lawful currency used by the Institutions of the European Union;
“GDP”	the gross domestic product;
“Group”	the Company and its subsidiaries;
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions;
“Guarantors”	Mr. Li Li Xin and his spouse, Ms. Jin Ya Er;
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hua Sheng Industrial”	寧波華盛實業總公司 (Ningbo Hua Sheng Industrial Company*), a company established in the PRC and holds 5% of the issued share capital of New JoySun;

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“Hua Yi Investment”	寧波華逸投資有限公司 (Hua Yi Investment Limited*), a company established in the PRC with limited liability and owned by Mr. Li Li Xin and his spouse, Ms. Jin Ya Er, as to 86.5% and 13.5% respectively;
“Independent Board Committee”	the independent board committee established by the Company (comprising all the three independent non-executive Directors) to advise the Independent Shareholders in connection with the Acquisition, the proposed grant of the Specific Mandate, the issue of the Consideration Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares and the Continuing Connected Transactions in accordance with the Listing Rules;
“Independent Shareholders”	the Shareholders other than Mr. Li Li Xin and his associates who are required to abstain from voting at the SGM pursuant to the Listing Rules;
“Independent Third Party”	an independent third party who is independent of the Company and its connected persons;
“Jiangdong New JoySun”	寧波江東新江廈超市有限公司 (Ningbo Jiangdong New JoySun Supermarket Limited*), a limited liability company incorporated in the PRC and wholly-owned by New JoySun Supermarket;
“Last Trading Day”	4 March 2013, being the last trading date immediately prior to the date on which the Shares were suspended from trading on the Stock Exchange pending the release of the Announcement;
“Latest Practicable Date”	22 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein;
“Leasing Framework Agreement”	the leasing framework agreement dated 5 March 2013 between New JoySun and Lisi Co;
“Lisi Co”	利時集團股份有限公司 (Lisi Group Co. Ltd*), a limited liability company incorporated in the PRC;
“Lisi Group”	Lisi Co and its subsidiaries;
“Listed Comparables”	C.P. Lotus Corporation (Stock Code: 121), Lianhua Supermarket Holdings Company Limited (Stock Code: 980), Springland International Holdings Limited (Stock Code: 1700), Sun Art Retail Group Limited (Stock Code: 6808) and Wumart Stores, Inc. (1025), the shares of which are all listed on the Stock Exchange;

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“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Li Li Xin”	Li Li Xin, the Chairman, an executive Director and one of the controlling Shareholders;
“Mutual Supply Framework Agreement”	the mutual supply framework agreement dated 5 March 2013 between New JoySun and Lisi Co;
“New JoySun”	寧波新江廈股份有限公司 (New JoySun Corp.*), a limited liability company incorporated in the PRC and will be 95% owned by Da Mei (Ningbo) Electrical Appliance following completion of the Reorganisation;
“New JoySun Electrical Appliance”	寧波新江廈家電百貨批發有限公司 (New JoySun Electrical Appliance Departmental Store Wholesale Limited*), a limited liability company established in the PRC and wholly-owned by New JoySun;
“New JoySun Group”	New JoySun and its subsidiaries;
“New JoySun Logistics”	寧波新江廈物流有限公司 (Ningbo New JoySun Logistics Limited*), a limited liability company established in the PRC and wholly-owned by New JoySun Supermarket Chain;
“New JoySun Supermarket Chain”	寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*), a limited liability company established in the PRC and 82% owned by New JoySun;
“Ningbo City”	the sub-provincial city of Ningbo, Zhejiang Province, PRC;
“Ningbo Lisi Supermarket”	寧波利時超市有限公司 (Ningbo Lisi Supermarket Limited*), a limited liability company established in the PRC, which is wholly owned by New JoySun Supermarket Chain;
“PRC”	the People’s Republic of China;
“Reorganisation”	the reorganisation of the Target Group, which involves, (i) a transfer of 84.3% equity interest in Da Mei (Ningbo) Electrical Appliance from Big-Max to Treasure Time; (ii) a transfer of 13.25% shareholding in New JoySun from Hua Yi Investment to Lisi Co; (iii) an increase of the registered capital of Da Mei (Ningbo) Electrical Appliance by Lisi Co with an aggregate of

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	95% shareholding in New JoySun; and (iv) a transfer by Lisi Co of 72.44% equity interest in Da Mei (Ningbo) Electrical Appliance to Treasure Time and the conversion of Da Mei (Ningbo) Electrical Appliance into a wholly foreign-owned company upon completion of the aforesaid steps;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale & Purchase Agreement”	the agreement dated 4 March 2013 entered into among the Company, Shi Hui and the Guarantors in respect of the Acquisition;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at 3:00 p.m. on 7 June 2013, at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong to approve, among other things, the Acquisition and the Continuing Connected Transactions;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Shi Hui”	Shi Hui Holdings Limited (世匯控股有限公司), a limited liability company incorporated in the BVI and indirectly wholly-owned by the Guarantors;
“Specific Mandate”	the specific mandate to be obtained by the Board from the Independent Shareholders at the SGM for allotment and issue of the Consideration Shares and the Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeover Code”	Hong Kong Code on Takeovers and Mergers;
“Target Group”	the group of companies consisting of Wealthy Honor and all its subsidiaries, including (1) Treasure Time; (2) Da Mei (Ningbo) Electrical Appliance; (3) New JoySun; (4) New JoySun Supermarket Chain and its wholly-owned subsidiaries; (5) Tonglu Lisi Supermarket, (6) Ningbo Lisi Supermarket, (7) Jiangdong New JoySun and (8) New JoySun Logistics; (9) New JoySun Electrical Appliance; (10) Yinzhou Qiyang; and (11) Xiangshan Lisi Department Store, respectively;

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“Tonglu Lisi Supermarket”	桐廬利時超市有限公司 (Tonglu Lisi Supermarket Limited*), a limited liability company established in the PRC and wholly-owned by New JoySun Supermarket Chain;
“Treasure Time”	Treasure Time Holdings Limited (豐時控股有限公司), a limited liability company incorporated in Hong Kong and wholly-owned by Wealthy Honor;
“US\$” or “USD”	United States dollar, the lawful currency of the United States of America;
“Valuer”	DTZ Debenham Tie Leung Limited, an independent qualified property valuer;
“Wealthy Honor”	Wealthy Honor Holdings Limited (盛新控股有限公司), a limited liability company incorporated in the BVI and wholly-owned by Shi Hui;
“Wealthy Honor Sale Share”	one (1) ordinary share, comprising 100% of the total issued share capital, of Wealthy Honor;
“Xiangshan Lisi Department Store”	象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*), a limited liability company established in the PRC and ultimately wholly-owned by New JoySun;
“Yinzhou Qiyuan”	寧波市鄞州啟元住宅裝飾有限公司 (Yinzhou Qiyuan Decoration Limited*), a limited liability company established in the PRC and beneficially wholly-owned by New JoySun; and
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.24. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

LETTER FROM THE BOARD



LISI GROUP (HOLDINGS) LIMITED

利時集團(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

Executive Directors:

Mr. Li Li Xin (*Chairman*)

Mr. Cheng Jian He

Non-executive Directors:

Mr. Xu Jin

Mr. Lau Kin Hon

Independent non-executive Directors:

Mr. He Chengying

Mr. Cheung Kiu Cho Vincent

Mr. Shin Yick Fabian

Registered office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal place of business

in Hong Kong:

Unit A, 5/F., Garment Centre

No.576-586 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

22 May 2013

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) PROPOSED CONTINUING CONNECTED TRANSACTIONS; AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition and the Continuing Connected Transactions.

The Acquisition

On 4 March 2013, the Board announced that the Company (as purchaser) entered into a conditional Sale & Purchase Agreement with Shi Hui (as vendor) and the Guarantors, pursuant to which the Company conditionally agreed to purchase and Shi Hui conditionally agreed to sell the Wealthy Honor Sale Share, being the entire issued share capital of Wealthy Honor, for the Consideration of HK\$892,800,000, out of which HK\$510,000,000 will be satisfied by way of allotment and issue of the Consideration Shares at the issue price of HK\$0.3 per Consideration Share whilst HK\$382,800,000 will be satisfied by way of issue of the Consideration Convertible Bonds in the principal amount of HK\$382,800,000 at the initial conversion price of HK\$0.3 per Conversion Share.

LETTER FROM THE BOARD

Upon completion of the Acquisition, the Company will hold the entire issued share capital of Wealthy Honor which will in turn hold 95% of the issued share capital of New JoySun via Treasure Time and Da Mei (Ningbo) Electrical Appliance. Hua Sheng Industrial, an Independent Third Party, will continue to hold the remaining 5% of the issued share capital of New JoySun after completion of the Acquisition.

The Acquisition constitutes a very substantial acquisition and a connected transaction under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Continuing Connected Transactions

Lisi Co is owned as to 98.15% by Mr. Li Li Xin and his spouse, Ms. Jin Ya Er, and Lisi Co and its subsidiaries are therefore associates of Mr. Li Li Xin and connected persons of the Company. Immediately following completion of the Acquisition, members of the Target Group will become subsidiaries of the Company.

On 5 March 2013, New JoySun and Lisi Co entered into the Leasing Framework Agreement and the Mutual Supply Framework Agreement. The transactions contemplated under each of these two agreements will become continuing connected transactions of the Company. As the aggregate amount of the annual caps under the Continuing Connected Transactions will exceed HK\$10 million per annum, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

General

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions.

The purpose of this circular is to provide you with (i) further details of the Acquisition and the Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders relating to the Acquisition and the Continuing Connected Transactions; (iii) a letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders relating to the Acquisition and the Continuing Connected Transactions; (iv) financial information of the Group; (v) accountants' report of the Target Group; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) valuation reports of the property interests of New JoySun Group; (viii) the notice of the SGM; and (ix) other information as required under the Listing Rules.

The valuation report set out in Appendix V to this circular is a report of valuation of all properties owned by New JoySun Group as at 31 March 2013 prepared by the Valuer pursuant to the requirements under Chapter 5 of the Listing Rules while the two valuation reports set out in Appendix VI to this circular are reports of valuation of a portion of the properties which are owned by New JoySun Group and assigned as investment properties as at 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2011, 30 September 2012 and 31 December 2012 respectively for auditing purposes. With

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reference to the valuation report set out in Appendix V to this circular, the value of the investment properties of New JoySun Group as at 31 March 2013 was RMB476,088,000. As disclosed in the valuation report set out in Appendix VI to this circular, the value of the investment properties of New JoySun Group as at 31 December 2012 was RMB446,170,000. As such, there is no material difference between the valuation in respect of the investment properties of New JoySun Group in the reports set out in Appendices V and VI to this circular.

PART A – THE ACQUISITION

1. THE SALE & PURCHASE AGREEMENT

Date

4 March 2013

Parties

Purchaser: the Company

Vendor: Shi Hui

Guarantors: the Guarantors

Wealthy Honor is wholly-owned by Shi Hui, which is in turn wholly-owned by the Guarantors via Big-Max. The Guarantors, through Big-Max, is indirectly interested in an aggregate of 54.52% of the issued share capital of the Company as at the date of this circular.

Pursuant to the terms of the Sale & Purchase Agreement, the Guarantors shall guarantee the due and punctual performance by Shi Hui of all its obligations under the Sale & Purchase Agreement.

Assets to be acquired under the Sale & Purchase Agreement

Pursuant to the Sale & Purchase Agreement, the Company conditionally agreed to purchase and Shi Hui conditionally agreed to sell the Wealthy Honor Sale Share, being the entire issued share capital of Wealthy Honor, subject to the terms and conditions as set out in the Sale & Purchase Agreement.

The Target Group is principally engaged in the rental operation of one department store; and the retail operation of (i) one department store; and (ii) a chain of supermarkets comprising thirty-six (36) supermarkets. The Target Group also comprises wholesale operations which are engaged in (i) the wholesale of alcohol, wine and beverages; and (ii) the wholesale of electrical appliances, mainly stand-alone and central air-conditioning systems. The rental operation of one of its department stores was a new attempt under the Target Group's business development strategies carried out in December 2012, prior to which such department store was under the retail operation segment of the Target Group (for details, please refer to section headed "4. Business Segments of the Target Group" in this letter from the Board). Further information as regards the Target Group is set out in the section headed "Part B – Information of the Target Group" below.

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As at the date of the Announcement, New JoySun Supermarket Chain comprises thirty-seven (37) supermarkets. Thereafter, one supermarket ceased operation and the number of supermarkets was adjusted to thirty-six (36). The change in the number of supermarkets was caused by closure of a supermarket, which is an ordinary and normal commercial activity of the Target Group and a strategic decision to better reallocate resources in order to allow the Target Group to focus on those supermarkets with greater potential for development and attracting consumers. The Directors are of the view that acquisition of the remaining thirty-six (36) supermarkets in New JoySun Supermarket Chain are in the best interest of the Group after having considered the financial performances and other business strategic factors such as geographical locations, public flow, and potential for future development, etc. of these thirty-six (36) supermarkets. The management team of the Company expects that New JoySun Supermarket Chain will continue to expand and the number of supermarkets will increase in the long run. The closed supermarket had suffered from some loss since its establishment in 2012 and was insignificant to the overall financial performance of the Target Group. Based on the aforesaid, the Directors are of the view that the closure of the said supermarket has no material impact on the Acquisition and thus no adjustment was made to the Consideration of HK\$892.8 million.

Consideration

The Consideration is HK\$892,800,000, which is to be satisfied by the Company in the following manner:

- (a) HK\$510,000,000 will be satisfied by way of allotment and issue of the Consideration Shares; and
- (b) HK\$382,800,000 will be satisfied by way of issue of the Consideration Convertible Bonds.

The Consideration was determined among the parties to the Acquisition based on arm's length negotiations after taking into account, among others, the historical financial position and performance of the Target Group's business, the future prospects of the Target Group, the price to earnings ratios of the Listed Comparables (as detailed below), the appraised value of the property interests of New JoySun Group and the benefits to be derived by the Group from the Acquisition as described in the paragraph headed "Reasons and Benefits of the Acquisition" below.

LETTER FROM THE BOARD

All Listed Comparables are companies listed on the Stock Exchange and comparable to the Target Group in terms of lines of business (mainly engaged in retail operation of chained supermarkets). The price to earnings multiples of the Listed Comparables, based on their respective closing prices as at the Last Trading Day and their latest published financial information, ranged from approximately 13.82 times to approximately 32.32 times, with an average of approximately 21.09 times.

The net profit of the Target Group for the year ended 31 December 2012 was approximately RMB40.38 million (equivalent to approximately HK\$50.07 million). The Consideration of HK\$892,800,000 converts to a price to earnings multiple of approximately 17.83 times, which is within and lower than the norm of the average price to earnings multiple of the Listed Comparables of approximately 21.09 times. It must be emphasised that the Company took into account other factors as detailed above (which were not reflected in the comparable price to earnings analysis) when engaging in arm's length negotiations with Shi Hui and the Guarantors to arrive at the Consideration.

Although care has been taken in the reproduction of price to earnings multiples of the Listed Comparables, the Company has not independently verified the financial information of the Listed Comparables and made no representation as to the accuracy or fairness of such data.

Consideration Shares

The 1,700,000,000 Consideration Shares to be allotted and issued by the Company to Shi Hui and/or its nominee(s) on the date of completion of the Sale & Purchase Agreement represent (a) approximately 68.63% of the existing issued share capital of the Company as at the Latest Practicable Date, (b) approximately 40.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and (c) approximately 31.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate and will rank *pari passu* with the Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue.

There are no restrictions on any subsequent sale of the Consideration Shares.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

The issue price for the Consideration Shares of HK\$0.3 per Consideration Share was determined based on arm's length negotiations among the parties to the Sale & Purchase Agreement by reference to the prevailing market prices of the Shares as illustrated below. It represents:

- (a) a discount of approximately 6.25% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.64% to the average closing price of HK\$0.305 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 5.06% to the average closing price of HK\$0.316 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 188.46% over the consolidated net asset value of the Group of approximately HK\$0.104 per Share as at 30 September 2012 (based on the unaudited consolidated net asset value of the Group of approximately HK\$257,631,080 as at 30 September 2012 and 2,476,963,794 issued Shares as at the Latest Practicable Date).

Consideration Convertible Bonds

The Company will issue the Consideration Convertible Bonds in an aggregate principal amount of HK\$382,800,000 to Shi Hui (and/or its nominees as it may direct) to settle part of the Consideration at completion of the Acquisition.

The terms and conditions of the Consideration Convertible Bonds were determined among the parties to the Sale & Purchase Agreement based on arm's length negotiations. The principal terms of the Consideration Convertible Bonds are summarised as follows:

Issuer:	The Company
Bondholder:	Shi Hui (and/or its nominees as it may direct)
Aggregate principal amount:	HK\$382,800,000
Interest:	3%
Maturity date:	The maturity date of the Consideration Convertible Bonds will be the third (3rd) anniversary of the issue date thereof.

LETTER FROM THE BOARD

Conversion rights: The Bondholder will have the right to convert the whole or part of the outstanding principal amount of the Consideration Convertible Bonds (in the amount of HK\$5,000,000 or integral multiples thereof) at any time during the period commencing from the date of issue of the Consideration Convertible Bonds up to 4:00 p.m. on the maturity date, provided that the Consideration Convertible Bonds may not be converted, to the extent if such conversion would result in (a) the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules; or (b) a Bondholder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in such percentage of the issued share capital of the Company as from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer.

Conversion price: The initial conversion price of HK\$0.3 per Conversion Share (subject to adjustments for subdivision or consolidation of Shares or rights issues) was determined based on arm's length negotiations among the parties to the Sale & Purchase Agreement by reference to the prevailing market prices of the Shares as illustrated below. It represents:

- a discount of approximately 6.25% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 1.64% to the average closing price of HK\$0.305 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- a discount of approximately 5.06% to the average closing price of HK\$0.316 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- a premium of approximately 188.64% over the consolidated net asset value of the Group of approximately HK\$0.104 per Share as at 30 September 2012 (based on the unaudited consolidated net asset value of the Group of approximately HK\$257,631,080 as at 30 September 2012 and 247,963,794 issued Shares as at the Latest Practicable Date).

LETTER FROM THE BOARD

- Conversion Shares: The maximum number of Conversion Shares that are issuable under the Consideration Convertible Bonds in accordance with the terms thereof (assuming no adjustment to the conversion price) is 1,276,000,000 Conversion Shares, representing (i) approximately 51.51% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 23.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares.
- The Conversion Shares will be allotted and issued by the Company pursuant to the Specific Mandate and will rank *pari passu* with the Shares in issue on the date of allotment and issue including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue. There are no restrictions on any subsequent sale of the Conversion Shares.
- As a result of the aforesaid restrictions on exercise of conversion right by the Bondholder, the allotment and issue of the Conversion Shares will not result in a change of control of the Company.
- Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
- Redemption: At any time from the issue date up to the maturity date, the Company may redeem all or part, from time to time, of the Consideration Convertible Bonds at 100% of the outstanding principal amount and any unpaid interest.
- The Bondholder has no right to require the Company to redeem the Consideration Convertible Bonds, whether at maturity or otherwise.
- Status of the Consideration Convertible Bonds: The Consideration Convertible Bonds constitute general, unconditional and unsecured obligation of the Company and rank *pari passu* with all other present and/or future unsecured and unsubordinated obligations of the Company.
- Transferability: The Consideration Convertible Bonds are not transferable.
- Voting rights: The Bondholder shall not be entitled to receive notice of, attend or vote at any meetings of the Company.
- Listing: The Consideration Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Acquisition is conditional upon, but not limited to:-

- (a) the results of the due diligence review carried out by the Company on the assets, business operations, financial situation and prospects of the Target Group to the satisfaction of the Company;
- (b) each of the warranties given by Shi Hui in the Sale & Purchase Agreement being true, accurate and complete in every respect as at the date of completion of the Acquisition;
- (c) all requisite filings or registrations having been made with, and all requisite authorisations (including but not limited to the Stock Exchange and the SFC) have been obtained from all applicable governmental authorities, or other third parties which are necessary in connection with the execution and performance of the Sale & Purchase Agreement and any transaction contemplated herein;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of and permission to deal in the Consideration Shares and the Conversion Shares;
- (e) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM approving the Sale & Purchase Agreement and the transactions contemplated thereunder, the allotment and issue of the Consideration Shares, the issue of the Consideration Convertible Bonds and the allotment and issue of the Conversion Shares; and
- (f) the completion of the Reorganisation and (1) Shi Hui providing the Company with written evidence on completion of each step of the Reorganisation; and (2) a PRC legal opinion being issued by a PRC legal counsel approved by the Company confirming that (including but not limited) each step of the Reorganisation has been completed in compliance with PRC laws and regulations and all necessary PRC approvals and permits have been obtained (the contents of which shall be acceptable to the Company).

The Company may at any time waive any of the conditions (except the conditions referred to in (d) and (e) above) (to the extent it is capable of being waived) in its sole discretion by written notice to Shi Hui. As at the Latest Practicable Date, the Company has no intention to waive any of such conditions. The waiver of such conditions is subject to the findings of the due diligence and/or the status of the Target Group as at the date of the completion of the Acquisition, which is sought for the purpose that the Acquisition will not fall through as a result of insignificant divergence from such conditions. In the event that such conditions could not be fully satisfied, the waiver of any of such conditions is to be determined by the Company after consideration of the interests of the Company and the Shareholders as a whole. The Company considers that the term entitling the Company to exercise its discretion to waive such conditions is constructed for the purpose of providing greater power and flexibility to the Company and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, none of the conditions precedent under the Sale & Purchase Agreement has been fulfilled or waived by the Company.

LETTER FROM THE BOARD

If the conditions are not fulfilled or waived on or before 31 December 2013, the Sale & Purchase Agreement shall lapse and be of no further effect and no party to the Sale & Purchase Agreement shall have any claim against or liability to the other parties.

Completion

Completion of the Acquisition under the Sale & Purchase Agreement shall take place on the fifth (5th) Business Day after the fulfillment or waiver of all conditions stated above.

Undertakings of Shi Hui and the Guarantors

Shi Hui and the Guarantors have given the following undertakings in favour of the Company under the Sale & Purchase Agreement:

Shi Hui and the Guarantors shall jointly and severally indemnify and keep the Company indemnified against all losses arising from or in connection with any failure to obtain the building ownership certificates of nine (9) properties of the Target Group, particulars of which are set out in the paragraph headed “10. Property Interests” under the section headed “Part B – Information of the Target Group” below.

Shi Hui and the Guarantors have also undertaken to the Company in the Sale & Purchase Agreement that on the date of completion of the Acquisition, (i) each of Wealthy Honor and Treasure Time has no outstanding debt or liabilities; and (ii) all amounts receivables and/or payables between members of the Target Group and connected persons of the Company are settled in full. The Company has the right to either terminate the Sale & Purchase Agreement and/or claim or recover from Shi Hui and the Guarantors all damages, losses and costs it incurred as a result of any breach of this undertaking. Pursuant to the Sale & Purchase Agreement, in case of any breach of the undertakings by Shi Hui and the Guarantors, they shall indemnify the Company for any direct consequential costs (including legal costs), expenses, claims, loss and debts in full. Should Shi Hui and the Guarantors breach the undertaking in relation to the settlement of receivables and payables between members of the Target Group and connected persons of the Company, the quantum recoverable by the Company against Shi Hui and the Guarantors will be determined by factors including the amount of the outstanding receivables and payables, legal costs and other expenses or losses incurred due to such delay in settlement.

Non-competition Undertakings

Pursuant to the Sale & Purchase Agreement, the Company will enter into a deed of non-competition undertakings (the “Non-Competition Deed”) with Shi Hui, the Guarantors and Lisi Co on or prior to the date of completion of the Acquisition. In case of any breach of the Non-Competition Deed by any of Shi Hui, the Guarantors and Lisi Co, the defaulted party shall restate any gain or profit and/or any loss of the Company resulting from such breach. For details of the Non-Competition Deed, please refer to the sub-section headed “(d) Competing Interests’ under the section headed “3. Disclosure of Interests” in Appendix VII to this circular.

LETTER FROM THE BOARD

2. REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Company, operating through its subsidiaries, are the manufacture and supply of various household products. The Company continues to focus upon its existing business.

The Company has also adopted and implemented a diversification strategy aimed at identifying suitable investment opportunities that will benefit the Company and the Shareholders as a whole. As a result, the Company has continued to explore the feasibility of strategic acquisitions with potential businesses that have strong growth potential and good earnings potential.

The Target Group operates mainly in Ningbo City. The retail and wholesale industries in Zhejiang Province continues to benefit from the continuing trend of positive macro-economic growth. According to the Ningbo Statistic Yearbook published by China Statistics Press, in 2011, the amount of sales of Ningbo City's retail trade is approximately RMB100.5 billion, while the turnover of wholesale industry of Ningbo City amounted to approximately RMB641.5 billion, accounting for approximately more than one quarter of the turnover of Zhejiang's wholesale industry. The information disclosed in Appendix II and Appendix III to this circular set out the historical performance of the Target Group.

Following completion of the Acquisition, the Company intends to retain the existing directors and management team of the Target Group to ensure smooth operation of the Target Group's businesses and supply chain, and its seamless integration into the Group. The Directors consider that the brand recognition of the businesses of the Target Group, and in particular its department stores and supermarket chain, will benefit from the Acquisition by the Company, a Hong Kong listed entity which already has an operational presence in Ningbo City, which will in turn benefit the Enlarged Group.

The Acquisition enables the Company to augment its business operations to include the existing retail operations of department stores and supermarkets, together with the wholesale operations of the Target Group. The Acquisition marks the Company's entry into the department store and supermarket retail businesses. Synergy between the Target Group's businesses and the Company's existing businesses may be achieved in future should and as suitable opportunities arise. For instance, the Enlarged Group may utilise the sales network of the Target Group to promote sales of its various household products and enhance its recognition in the market.

To this end, the Directors consider the Acquisition is in line with the diversification strategy and represents an attractive investment opportunity for the Company. The Directors consider that the terms of the Sale & Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, the companies comprising the Target Group will become subsidiaries of the Company and financial results of the Target Group will be consolidated into the Group's financial statements. The Directors have considered the risks associated with the Acquisition, the potential financial impact of the Acquisition and the results of the Company's due diligence exercise. Based on the above, the Directors believe that the Acquisition will enhance the competitive edge of the Group.

The Group currently intends to continue its existing businesses and there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination or scaling down of the Group's existing businesses or assets up to the Latest Practicable Date.

LETTER FROM THE BOARD

3. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITION

The following chart depicts the effects of the issue of the Consideration Shares and the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and assuming full exercise of the conversion rights attaching to the Consideration Convertible Bonds at the initial conversion price, assuming no further Shares will be allotted and issued after the Latest Practicable Date and prior to completion of the Acquisition:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares but before issue of any Conversion Shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming issue of maximum number of Conversion Shares – for illustration purpose only, as this would not happen given that there will not be sufficient public float)		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares to the extent that immediately after such conversion, there will be a sufficient public float	
	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company
Shi Hui	0	0	1,700,000,000	40.70	2,976,000,000	54.57%	2,028,919,326	45.03
Big-Max	1,350,493,014	54.52	1,350,493,014	32.33	1,350,493,014	24.77%	1,350,493,014	29.97
Sub-total for Mr. Li Li Xin and his associates	1,350,493,014	54.52	3,050,493,014	73.03	4,326,493,014	79.34%	3,379,412,340	75
Public Shareholders	1,126,470,780	45.48	1,126,470,780	26.97	1,126,470,780	20.66	1,126,470,780	25
Total	2,476,963,794	100	4,176,963,794	100	5,452,963,794	100	4,505,883,120	100

4. FINANCIAL EFFECTS OF THE ACQUISITION

The unaudited pro forma financial information of the Enlarged Group illustrating the financial effects of the Acquisition is set out in Appendix IV headed “Unaudited Pro Forma Financial Information of the Enlarged Group” to this circular. The unaudited pro forma consolidated statement of financial position of the Enlarged Group was prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2012 as extracted from the published 2012 interim report of the Group; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 December 2012 as extracted from the accountants’ report of the Target Group as set out in Appendix II to this circular, after making pro forma adjustments described in the accompanying notes as set out in Appendix IV to this circular, as if the Acquisition was completed on 30 September 2012.

LETTER FROM THE BOARD

(a) Assets and Liabilities

According to the interim report of the Company for the six months ended 30 September 2012, the unaudited consolidated total assets and liabilities of the Group as at 30 September 2012 were approximately RMB544.42 million and RMB336.65 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group, assuming completion of the Acquisition had taken place on 30 September 2012, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would be approximately RMB2,937.657 million and RMB2,100.042 million respectively.

(b) Earnings

According to the annual report of the Company for the year ended 31 March 2012, the Group recorded an audited consolidated profit of approximately RMB9.9 million for the year ended 31 March 2012. Based on the unaudited pro forma financial information of the Enlarged Group, assuming completion of the Acquisition had taken place on 1 April 2011, the unaudited pro forma consolidated profit of the Enlarged Group would be approximately RMB3.857 million.

In view of the profitable track record of the Target Group for the three years ended 31 December 2012, the Target Group is expected to contribute positively to the revenue and earnings base of the Enlarged Group after completion of the Acquisition.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As disclosed in the interim report of the Company for the six months ended 30 September 2012, the Group recorded an unaudited consolidated loss attributable to equity holders of the Company of RMB4,206,000 for the six months ended 30 September 2012. The loss of the Group for the said period was mainly caused by the relocation of the Group's manufacturing facilities from Shenzhen to Ningbo City. The relocation caused certain disruption in the normal production schedule and product delivery and some loss in orders from customers. The Board however considers the Group's performance will benefit from the synergies of consolidated manufacturing resources in Ningbo City as a result of the relocation of manufacturing facilities in the medium and long term.

On top of further strengthening its leading role in the market of household products, the Group has been making tremendous effort to explore new businesses so as to diversify its existing business portfolio, broaden its source of income and enhance value to the Shareholders. The Acquisition is consistent with the Company's development strategies and the Group will be able to enter into the department store and supermarket retail businesses. Synergy between the Target Group's businesses and the Group's existing businesses may be achieved in the future should and as suitable opportunities arise. For instance, the Enlarged Group may utilise the sales network of the Target Group to promote sales of its various household products and enhance its recognition in the market.

LETTER FROM THE BOARD

The Group currently intends to continue its existing business in manufacture and supply of various household products. After completion of the Acquisition, the Enlarged Group will continue to develop and expand the newly acquired businesses with an aim to improve the financial performance and to maximise Shareholders' value. It is anticipated that after the Acquisition, the Enlarged Group will not make any material change to the existing management of the Target Group and will continue the employment of the employees of the Target Group. It is the intention of the Group to continue to pursue the existing business strategy of the Target Group and carry on its existing businesses. The Enlarged Group will continue to seek business opportunities to improve its profitability and prospects.

Looking ahead, the Board is optimistic about the prospects of the Enlarged Group's department store and supermarket retail and wholesale businesses in the PRC after completion of the Acquisition. It is expected that the department store and supermarket industries in the PRC will continue to expand in the coming years due to the huge population which forms a solid customer base for distribution of consumer goods. For a detailed review of Ningbo City's retail and wholesale industries please refer to the paragraph headed "9. Industry Overview" under the section headed "Part B – Information of the Target Group" below.

Given the rising purchasing power of the PRC population and the potential growth in the PRC retail and wholesale industries, the Board is of the view that the future prospects of the PRC department store and supermarket and wholesale businesses of the Target Group are promising. The Board also expects that the Enlarged Group would derive additional earnings and cashflow contribution from the newly acquired businesses which will in turn bring a long term benefit to the Enlarged Group and the Shareholders.

6. RISK FACTORS OF THE ACQUISITION

You should carefully consider the following risk factors, in addition to the other information included in this circular, including the Target Group's combined financial statements and the accompanying notes, as well as the unaudited pro forma financial information of the Enlarged Group set forth in Appendices II and IV respectively before making a voting decision at the SGM. You should pay particular attention to the fact that the business of the Target Group is located almost exclusively in the PRC and the Target Group is governed by a legal and regulatory environment that differs in certain respects from that which prevails in Hong Kong. The business, financial condition or results of operations of the Enlarged Group may be materially and adversely affected by any of the risks described below. However, the risks listed below do not purport to comprise all those risks associated with the Acquisition and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Acquisition, the Target Group, the Company, the Group and the Enlarged Group.

Risks Relating to the Acquisition

The Target Group relies on their concessionaires and suppliers

The Target Group's success depends on their ability to retain existing, and attract new, concessionaires to their department stores, and suppliers to their supermarket chain and wholesale operations, on business terms which are acceptable to them.

LETTER FROM THE BOARD

There are no guarantees that the Target Group will be able to successfully renew their existing concessionaire agreements or supplier contracts upon their expiration on terms which are acceptable to them, or at all. If the Target Group is unable to maintain good business relationships with their existing concessionaires and suppliers, or if they are unable to develop and maintain new concessionaire and supplier relationships, they will be unable to carry products that are in demand and which can generate revenue for the Target Group. Moreover, if any of the Target Group's suppliers for their concessionaires or other suppliers change their distribution methods, the Target Group may experience a disruption in the supply of products. As a result, the Target Group's revenue and profitability may be impaired.

Furthermore, the Target Group's profit margin is dependent on the concession fees and the purchase prices that they are able to negotiate with their concessionaires and suppliers.

The Target Group derives its revenue from concession arrangements in the form of concession commissions, which are typically expressed as a percentage of sales. Typically, the concession agreements are for a term of one year. The Target Group is contracted to pay its concessionaires a percentage of gross profits for the first year of their arrangement. To the extent that the concessionaires are able to reduce the commission percentage when negotiating their concession arrangements with the Target Group, the Target Group's revenue and profit may decrease and the Target Group's results of operations may be adversely affected.

With respect to the Target Group's suppliers to their supermarkets and wholesale division, the Target Group relies on their existing business relationships with their main suppliers. For instance, the Target Group's wholesale business relies on maintaining good relationships with the manufacturers of high-end Chinese wine and the manufacturers of air-conditioning units/systems. In the event that they are unable to maintain good relationships with them or negotiate favorable contractual terms, they will be unable to continue to meet the demand for these products and/or the Target Group's revenue and profitability may be adversely affected.

The Target Group's operations and the revenue therefrom are all derived from Zhejiang Province and principally Ningbo City

The Target Group's business operations are focused primarily in Ningbo City.

The Target Group's limited geographical coverage means that they are exposed to a higher concentrated degree of risk as compared to some of their competitors in the PRC in the event of any adverse changes to market conditions in Zhejiang Province and principally in Ningbo City. We believe that any material adverse change in either central, provincial or local policy or regulations, or any deterioration in macro-economic conditions, as measured by factors including GDP growth, employment levels, job growth, consumer confidence and interest rates in Zhejiang Province and/or Ningbo City may adversely affect the business, financial condition, results of operations and prospects of the Target Group.

LETTER FROM THE BOARD

The Target Group depends on the market recognition of “New JoySun” (新江厦) and “Lisi” (利時) brands, and any deterioration in the brands may have an adverse effect on the sales, profitability and the implementation of the growth strategy of the Target Group

The success of the Target Group depends on the general market recognition of the “New JoySun” (新江厦) and “Lisi” (利時) brands as well as the Target Group’s reputation for offering competitively priced and quality products and services.

Failure to effectively manage the company image of the Target Group, or the failure of their promotional and other activities to distinguish and further strengthen their market recognition could adversely affect the value and perception of the Target Group’s company image, as well as the Target Group’s ability to retain existing customers or to attract new customers.

In addition, any failure to maintain effective quality control over the Target Group’s products and services, could adversely affect the Target Group’s reputation and market recognition. Should the Target Group’s reputation and/or market recognition deteriorate, the Target Group may not be able to maintain their current prices and/or sales volumes, or introduce new products or enter new markets, which may materially and adversely affect their business, results of operations, financial condition and the Target Group’s growth strategies.

If the Target Group is unable to respond effectively to changes in market trends and customer preferences, their market share and results of operations may be adversely affected

The success of the Target Group’s department stores and supermarkets in Ningbo City is dependent to some extent on their ability to meet customer preferences and to appreciate and anticipate future market trends in that region. Customer preferences are ever changing and depend on various factors which are beyond the control of the Target Group such as global fashion trends, lifestyle trends, dietary and consumption habits, levels of disposable income and consumer confidence.

The Target Group grants various forms of incentives to its customers in the form of VIP cards, holding promotional events for its VIP customers twice annually and the introduction of a bonus shopping point system “Mingsheng 100”. The Target Group also has special concession arrangements with selected credit card companies. Granting such incentives to customers enables the Target Group to better understand the behavioural spending habits of its customers which in turn gives the Target Group an understanding of current market trends and customer preferences. However, any change to the Target Group’s customer incentives may not be well received by all customers and may adversely affect its reputation.

In the event that the Target Group is unable to anticipate, satisfy or respond to current preferences in the regions which they operate by providing a wide-range of product offerings, their market share and their sales and profitability may be adversely affected.

LETTER FROM THE BOARD

The Target Group's business is dependent on its experienced management team if they lose their key executive officers, their business, financial condition and results of operations may be materially and adversely affected

The Target Group's future success depends upon the continuing service and performance of their key management personnel and led by its chairman, Mr. Li Li Xin, comprising the Target Group's directors and senior management.

If one or more of the Target Group's key management personnel are unable or unwilling to continue in their present positions, the Target Group may not be able to replace them easily or at all, and the Target Group's business may be disrupted and their business and results of operations may be materially and adversely affected.

The Target Group operates in a competitive market and if it fails to compete successfully, its business, financial condition and results of operations may be materially and adversely affected

Department stores and supermarkets operate in a highly competitive market and retail markets in general are dynamic in nature. The Target Group faces competition from many competitors, as well as to new entrants in the markets in which they operate, with respect to their supermarket business including from hypermarkets and wet markets that may offer products at a lower retail price. With respect to the department store business their main competition is from other mid-and-low-end department stores as well as high-end department stores.

If the Target Group fails to compete effectively against their competitors, they may be unable to expand their market share and may lose market share which may result in the Target Group's results of operations being adversely affected.

Challenging economic conditions and economic uncertainties over a prolonged period of time may adversely affect the Target Group's sales or growth

Through the department stores which the Target Group operates in Ningbo City, the Target Group retails some discretionary products and the turnover derived from these department stores are susceptible to changes in macro-economic conditions and consumer sentiment in the PRC. These macro-economic conditions include, among other factors, employment rates, interest rates and inflation. Consumer sentiment is affected by, among other factors, general business conditions, the stock market and real estate market conditions.

Although recent data has not indicated any material deterioration in consumer purchasing power, we cannot assure you that consumer demand will not be impacted by the continued weakness in the global economy or any future deterioration of economic conditions in the PRC. In the event that competitors of the Target Group react to any declines in consumer confidence by reducing retail prices, the ability of the Target Group to maintain their market share may be adversely impacted. Should they have to respond to such circumstances by reducing their own prices, their business, results of operations and financial condition may be adversely affected.

LETTER FROM THE BOARD

Losses from product spoilage, overstocking, shortages or unavailability of the products demanded by customers may increase the Target Group's costs and reduce their profitability, and may damage their reputation and image

Due to the nature of the supermarket businesses, the Target Group has to constantly monitor and evaluate their stock levels with regard to products which are perishable such as fresh meat and vegetables. Failure to monitor and minimise spoilage and overstocking of products may result in reduced profitability and have an adverse effect on the operations of the Target Group.

Moreover, supplies of perishable products such as fresh meat and vegetables are subject to conditions which are beyond the control of the Target Group such as extreme weather conditions such as floods and drought. In the event of such a disruption in supply, the Target Group's profitability and reputation may be adversely affected.

Whilst the Target Group have not had any material write-offs due to spoilage, overstocking, shortages or unavailability of particular products, we cannot assure you that such material write-offs will not happen in the future.

The business of the Target Group is subject to extensive PRC governmental regulations and policies and failure to comply with them may adversely affect the Group

The business of the Target Group is subject to extensive governmental regulations, policies and controls in the PRC. There can be no assurances that the relevant governmental authorities (i) will maintain the existing laws and regulations in place, or (ii) will not impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations may adversely affect the Group. In addition, the Company cannot rule out the possibility that any relevant PRC governmental authority could consider that the PRC laws and regulations require the Company to obtain approval from it or them in connection with the Acquisition. In such circumstances, it cannot be ruled out that any such regulatory authority could impose penalties on the Company for not obtaining any such approval, and/or take action requiring the Company to block, delay, alter or unwind the Acquisition or take other measures that may adversely affect the Company or the Enlarged Group.

The Target Group's business relies upon the effective operation of the integrated management information systems and any malfunction to these systems for an extended period could have an adverse effect on their operations

The Target Group relies on its integrated management information systems and network infrastructure across their operations to monitor their daily operations in order that they can implement effective information management of operations and resources. Any damage or failure of the computer systems and/or network infrastructure that causes an interruption to the operations of the Target Group could have a material adverse effect on their business and results of operations.

LETTER FROM THE BOARD

Risks relating to conducting business in the PRC

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on the Target Group

All of the Target Group's assets and operations are located in the PRC and all of its revenue is derived from the PRC. Accordingly, the Target Group's business operations and prospects are subject to the economic, political and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, the control of foreign exchange and allocation of resources. The nature of the businesses of the Target Group's applies across several industries, and each industry may experience different changes in governmental policies and regulations at any time.

Prior to its adoption of reform and open-door policies in the late 1970s, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system. These reforms have resulted in significant economic growth. However, despite such changes, the PRC government continues to play a significant role in regulating various industries by imposing industrial policies and continually adjusting economic reform measures. As such, the Board cannot assure that the Target Group may be able to benefit from all, or any, of the measures that are under continuous adjustments. In addition, the Board cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on the Target Group's current or future business, financial condition and results of operations.

The legal system of the PRC is not yet fully developed, and there are inherent uncertainties which may affect the protection afforded to the Target Group's business and its shareholders

All of the Target Company's businesses and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that have the effect of enhancing the protections afforded to corporate organizations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to the Target Group's business operations. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection the Target Group enjoys. These uncertainties may affect the Target Group's judgment on the relevance of legal requirements and its decisions on the measures and actions to be taken to fully comply therewith, and may affect its ability to realize its contractual rights and its rights under tort.

LETTER FROM THE BOARD

Further, the Board cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. The Board cannot therefore assure that the Target Group will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect its operations, causing adverse effects on its financial condition and results.

The Target Group's operations may be adversely affected by existing or future PRC laws and regulations

The Target Group operates in industries that are regulated by the PRC laws and regulations and is required to maintain various licenses and permits in order to commence and operate its business. The revocation of or failure to obtain or renew its licenses and permits may force the Target Group to temporarily or permanently suspend some of its operations which could adversely affect its operations and business.

Risks relating to this circular

Certain statistics and other information relating to the economy and the industry contained in this circular were derived from various official sources and government publications and may not be reliable

Statistics, industry data and other information relating to the economy and the industry contained in this circular have been derived from various official government publications with information provided by Chinese and other government agencies. Although the Company believes that the sources of information and statistics are appropriate sources for such information and statistics and has taken reasonable care in extracting and reproducing such information and statistics, and has no reason to believe that such information and statistics is false or misleading, no guarantee can be made as to the accuracy or completeness of such information and statistics. None of the Company, or their respective directors, agents or advisors have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economy and the information derived official government sources may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information relating to the economy and the information derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. Careful consideration should be given as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

LETTER FROM THE BOARD

Forward looking statements contained in this circular are subject to risks and uncertainties

This circular contains statements that are forward-looking and uses words typically used for forward-looking statements such as “will”, “expect”, “estimate”, “anticipate”, “plan”, “believe”, “may”, “intend”, “ought to”, “continue”, “project”, “should”, “seek”, “potential” and other similar terms. Reliance on any forward-looking statements involves risks and uncertainties in this regard, including those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations by the Board that the Company’s plans and objectives will be achieved.

7. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Company is owned as to approximately 54.52% by Big-Max, which is in turn owned by Mr. Li Li Xin (the Chairman, an executive Director and one of the controlling Shareholders) and his spouse, Ms. Jin Ya Er, as to 90% and 10% respectively. Shi Hui is a wholly-owned subsidiary of Big-Max and is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As Mr. Li Li Xin has material interests in the Acquisition, Mr. Li Li Xin and his associates, who are in aggregate interested in 1,350,493,014 Shares (representing 54.52% of the issued share capital of the Company) as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions relating to the Acquisition at the SGM.

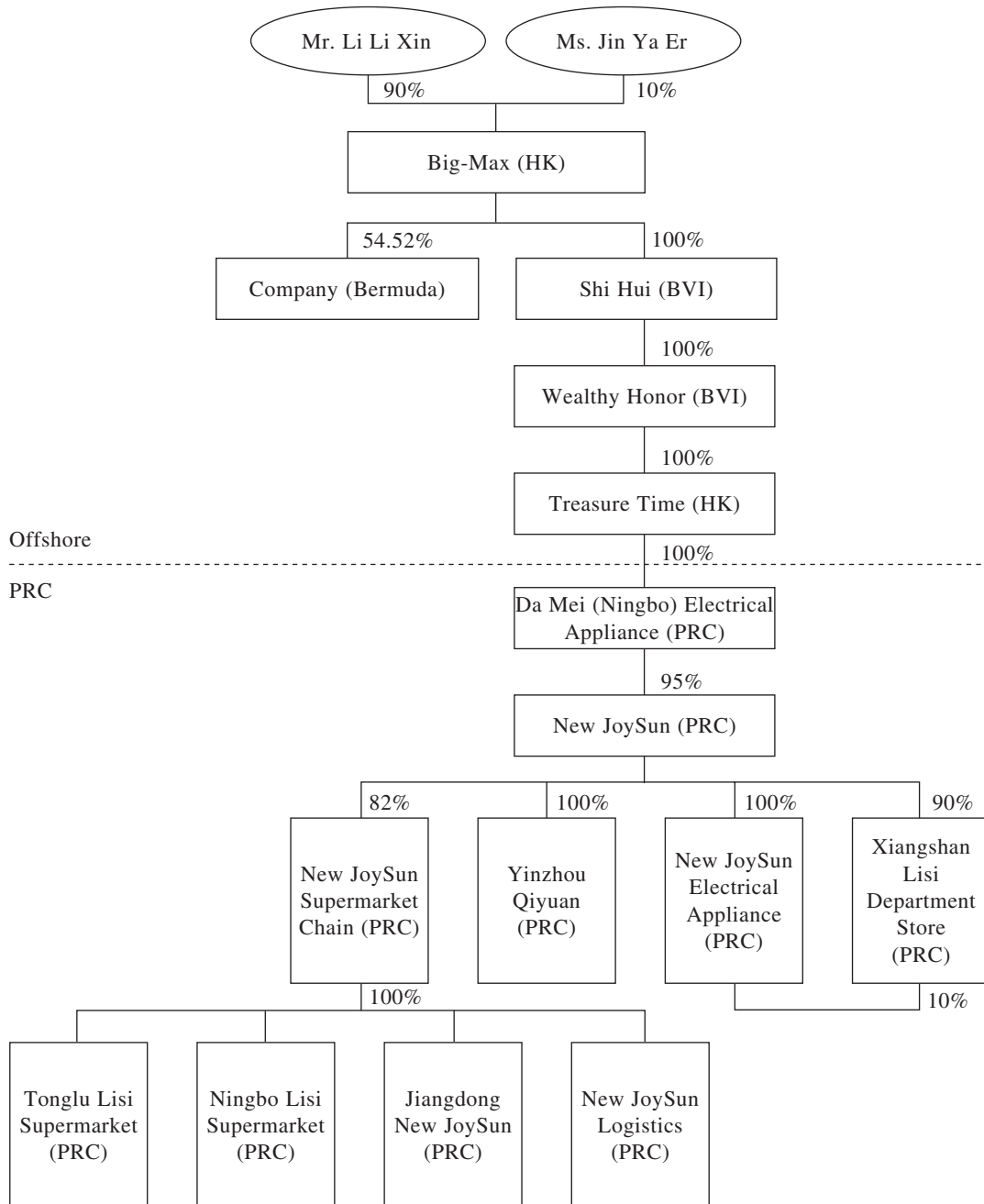
PART B – INFORMATION OF THE TARGET GROUP

1. SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The Target Group consists of Wealthy Honor, Treasure Time, Da Mei (Ningbo) Electrical Appliance, New JoySun, New JoySun Supermarket Chain, Xiangshan Lisi Department Store, New JoySun Electrical Appliance, Yinzhou Qiyuan, Tonglu Lisi Supermarket, Ningbo Lisi Supermarket, Jiangdong New JoySun and New JoySun Logistics, respectively.

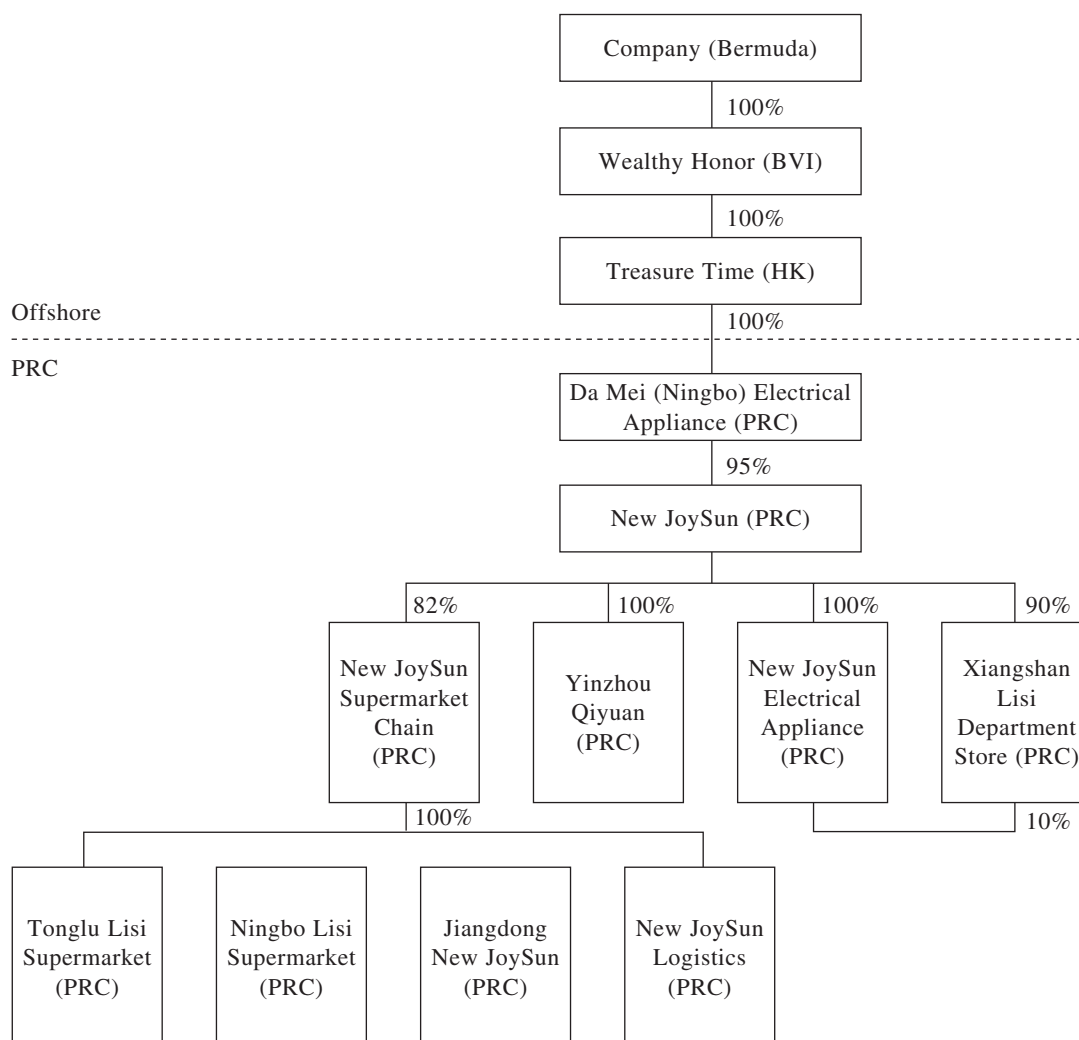
LETTER FROM THE BOARD

The following diagram sets out the shareholding structure of the Group and the Target Group after completion of the Reorganisation and immediately prior to completion of the Acquisition:



LETTER FROM THE BOARD

The following diagram sets out the shareholding structure of the Enlarged Group immediately following completion of the Acquisition:



2. REORGANISATION

For the purpose of the Acquisition, the Reorganisation involves the following steps:

- (i) a transfer of 84.3% equity interest in Da Mei (Ningbo) Electrical Appliance from Big-Max to Treasure Time and as a result of which, Treasure Time holds 84.3% equity interest in Da Mei (Ningbo) Electrical Appliance;
- (ii) a transfer of 13.25% shareholding in New JoySun from Hua Yi Investment to Lisi Co and as a result of which, Lisi Co holds 95% shareholding in New JoySun;

LETTER FROM THE BOARD

- (iii) an increase of the registered capital of Da Mei (Ningbo) Electrical Appliance by Lisi Co with an aggregate of 95% shareholding in New JoySun and as a result of which, the registered capital of Da Mei (Ningbo) Electrical Appliance will be increased from USD7,641,679 to USD49,217,379 and Lisi Co's equity interest therein will increase from 15.7% to 72.44%; and
- (iv) Lisi Co will then transfer its 72.44% equity interest in Da Mei (Ningbo) Electrical Appliance to Treasure Time and Da Mei (Ningbo) Electrical Appliance will be converted into a wholly foreign-owned enterprise.

As at the Latest Practicable Date, the steps set out in (i) and (ii) above have been completed. The Target Group has made substantial progress in respect of the steps set out in (iii) and (iv) by having obtained relevant approvals from the PRC government authorities for the increase of registered capital of Da Mei (Ningbo) Electrical Appliance and the transfer of 72.44% equity interest in Da Mei (Ningbo) Electrical Appliance.

3. BUSINESSES OF THE TARGET GROUP

The Target Group mainly comprises retail and wholesale operations in Ningbo City. Nonetheless, it has also started engaging in rental operation in Ningbo City in December 2012. The Target Group is principally engaged in the rental operation of one department store and the retail operations of (i) one department store; and (ii) a chain of supermarkets comprising thirty-six (36) supermarkets as at the Latest Practicable Date. The Target Group also comprises wholesale operations which are engaged in (i) the wholesale of alcohol, wine and beverages; and (ii) the wholesale of electrical appliances, mainly stand-alone and central air-conditioning systems. The rental operation of one of its department stores was a new attempt under the Target Group's business development strategies carried out in December 2012, prior to which such department store was under the retail operation segment of the Target Group (for details, please refer to section headed "4. Business Segments of the Target Group" in this letter from the Board).

3.1 OFFSHORE COMPANIES OF THE TARGET GROUP

Wealthy Honor and Treasure Time are investment holding companies incorporated in BVI and Hong Kong respectively.

3.2 PRC COMPANIES OF THE TARGET GROUP

Da Mei (Ningbo) Electrical Appliance

Da Mei (Ningbo) Electrical Appliance, incorporated in 2006, is a sino-foreign owned limited liability company with 84.3% of its shareholding held by Treasure Time and 15.7% of its shareholding held by Lisi Co. Da Mei (Ningbo) Electrical Appliance will be converted into a wholly foreign-owned enterprise with the entire registered capital held by Treasure Time upon completion of the Reorganisation. Da Mei (Ningbo) Electrical Appliance is authorised under its business licence to manufacture digital video cameras and players as well as small electrical appliances and plastic products. However, it has not been involved in any substantial business operations since its establishment and serves as an investment holding company.

LETTER FROM THE BOARD

New JoySun

New JoySun, incorporated in 1992, comprises two business divisions, namely (1) the New JoySun department store; and (2) wholesale operations engaged in the sales of alcohol, wine and beverages.

Retail operation

The New JoySun department store is located in an urban area of Ningbo City at No.301-305, East Zhongshan Road, Jiangdong District, Ningbo City. The New JoySun department store carries a wide-range of products including clothing, jewellery, health care products, cosmetics and toiletries aimed at the mid-end market. The property where the New JoySun department store is situated is self-owned by the Target Group and has a gross floor area of approximately 16,763 square metres.

Wholesale operation

Under the brand name of New JoySun, the Target Group wholesales a range of alcohol, wine and beverages. The Target Group currently focuses on the sales of Chinese wine.

Xiangshan Lisi Department Store

The Xiangshan Lisi Department Store was incorporated in 2008 and is located in a prime urban area of Xiangshan County at No.165 Jianshe Road, Xiangshan County, Ningbo City. The Xiangshan Lisi Department Store carries a wide-range of products including clothing, jewellery, health care products, cosmetics and toiletries aimed at the mid-end and high-end of the market. The property where the Xiangshan Lisi Department Store is situated is self-owned by the Target Group and has a gross floor area of approximately 6,056 square metres. Since December 2012, Xiangshan Lisi Department Store has leased 5,000 square metres to an Independent Third Party for a term of eight (8) years and has derived most of its income from the rental income pursuant to the said lease.

New JoySun Supermarket Chain

As at the Latest Practicable Date, the New JoySun Supermarket Chain was established in 2001 and has four wholly-owned subsidiaries, namely, Tonglu Lisi Supermarket, Ningbo Lisi Supermarket, Jiangdong New JoySun and New JoySun Logistics, respectively, which comprises thirty-six (36) supermarkets mainly located in second and third tier cities and counties in the urban area of Ningbo City. Thirty-five (35) out of the thirty-six (36) supermarkets of the Target Group are defined as community shops with an average gross floor area of approximately 3,500 square metres.

In January 2012, the New JoySun Supermarket Chain successfully opened one hypermarket covering a gross floor area of approximately 18,500 square metres which offers its customers a wide variety of quality products and services at competitive prices at a comprehensive “one-stop” shopping destination. This will enable it to increase and consolidate its market share in Ningbo City and benefit from the strong growth potential in the retail sector in the PRC.

The New JoySun Supermarket Chain carries a wide variety of products including daily necessities, groceries, fresh food, and home appliances, which aims to satisfy all the day-to-day needs of community residents. The New JoySun Supermarket Chain also leases some areas of their supermarkets to offer catering services to their customers.

LETTER FROM THE BOARD

Thirteen (13) of the thirty-six (36) properties of the New JoySun Supermarket Chain operated by the Target Group are self-owned, whilst the remaining twenty-three (23) are leased properties.

New JoySun Electrical Appliance

New JoySun Electrical Appliance was incorporated in 2004 and operates as a wholesaler of electrical appliances, mainly providing both stand-alone and central air-conditioning systems in Ningbo City.

Yinzhou Qiyuan

Yinzhou Qiyuan was incorporated in 2002 and previously provided decorating services to New JoySun department store. There were no significant decorating services provided during the last three financial years ended 31 December 2012.

4. REPORTABLE BUSINESS SEGMENTS OF THE TARGET GROUP

The revenue of the Target Group is generated from three reportable business segments: (i) supermarkets – this segment comprises thirty-six (36), thirty-nine (39) and thirty-seven (37) supermarkets as at 31 December 2010, 2011 and 2012, respectively; (ii) department stores – this segment comprises two (2) department stores as at 31 December 2010, 2011 and 2012, respectively; and (iii) wholesale – this segment comprises wholesale operations for the sale of alcohol, wine and beverages, and electrical appliances, mainly stand-alone and central air-conditioning systems. Despite the Target Group operated thirty-seven (37) supermarkets as at the date of the Sale & Purchase Agreement, Appendices II and III to this circular cover financial information of all supermarkets operated by the Target Group as at the date of relevant reporting periods. It is because the Board is of the view that supermarkets operate in a competitive market and the retail markets in general are dynamic in nature. To cope with the competitive and dynamic market, it is common for the operator of a supermarket chain to open up new supermarkets or close down individual existing supermarkets at different locations at certain timings, depending on the latest alterations in market factors, such as changes in size of population as well as the set up of new competitors within the neighborhood, in pursuit of the best business development of the supermarket chain. The Board considers that the supermarkets which ceased operation during the track record period comprising the three years ended 31 December 2012 and thereafter had no material financial impact on the Target Group.

Since the incorporation of New JoySun Supermarket Chain in 2001, it has been part of its business operation to open up and close down (if necessary) supermarkets in second and third tier cities and counties in the urban area of Ningbo City. As a result, the business and financial results of New JoySun Supermarket Chain should be reviewed regardless of its normal business changes in operation locations as aforesaid. Therefore, the Board considers that the financial information as disclosed in Appendices II and III without adjusting for cessation of operations of the supermarkets which would not be included in the Target Group, would provide meaningful and non-misleading information to the Shareholders regarding the Acquisition.

LETTER FROM THE BOARD

The table below sets out the revenue of the Target Group by business segments for the three years ended 31 December 2010, 2011 and 2012:–

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Sales of goods:			
– retail	400,633	487,598	456,268
– wholesale	270,116	304,331	294,467
Net income from concession sales	38,687	42,938	38,238
Rental income from operating leases	9,603	13,253	22,223
Other service fee income	30,524	36,345	32,950
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Total:	749,563	884,465	844,146
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Since December 2012, Xiangshan Lisi Department Store has leased 5,000 square metres to an Independent Third Party for a term of eight (8) years and has derived most of its income from the rental income pursuant to the said lease. The annual rental for the lease (exclusive of expenses and maintenance fees) for each of the first and second years is RMB3.5 million, then it will increase by 3% for the third and fourth years. After the fourth year of the lease, the rental will increase by 5% for every two years thereafter. The tenant shall pay the rent to Xiangshan Lisi Department Store every three months and has an option to renew the lease upon service of three (3) months' written notice prior to the expiry of the lease.

The leasing out of Xiangshan Lisi Department Store was a new attempt under the Target Group's business development strategies, aiming for: (a) assigning more management resources in business development, negotiations of choosing new locations for business operations, mergers and acquisitions; and (b) speeding up the geographical and scale expansion of the chain store network. The Company has no current intention to further lease out any other department store and/or supermarkets of the Target Group after completion of the Acquisition. Therefore, the Directors are of the view that this new segment will not be material to the Target Group and the Enlarged Group's business in short term. Nonetheless, the Company does not exclude the possibility of having such intention in the future after having evaluated the business and financial performance of the lease of Xiangshan Lisi Department Store.

As Xiangshan Lisi Department Store only accounted for approximately 4% of the Target Group's revenue during the three years ended 31 December 2012 and has minimal contribution to the Target Group's profit, the change in business model has no significant impact on the bases of the Consideration.

LETTER FROM THE BOARD

5. CONCESSION SALES

For the three years ended 31 December 2010, 2011 and 2012, the Target Group's gross revenue from concession sales was approximately RMB235.8 million, RMB241.6 million and RMB242.6 million or 24.9%, 22.3% and 23.1% of its gross revenue, respectively.

The table below shows the percentages of the gross revenue derived by the Target Group from concession sales for the three years ended 31 December 2010, 2011 and 2012, respectively:-

Gross revenue from concession sales

	Years ended 31 December		
	2010	2011	2012
To the gross revenue	24.9%	22.3%	23.1%

The New JoySun department store operates mainly through concession arrangements with their respective retailers and suppliers whilst the supermarkets of the Target Group operate mainly through direct sale arrangements with their suppliers. Concession sales offer a degree of exclusivity and are effective in attracting customers to the department stores. They also avoid the prolonged process of negotiations and additional charges with other suppliers. Concession arrangements are a common characteristic of the department store industry. The specific terms of the Target Group's concession arrangements are dependent according to the market recognition, length of relationship, sales volume, popularity and other specific characteristics of the individual concessionaires.

Under the Target Group's concession arrangements, the concessionaires are responsible for inventory management and are obliged to settle price range of products in accordance with those agreed and set out in the concession agreements. Typically, the Target Group will collect a certain pre-agreed percentage of concession sales every month/quarter.

The terms of the Target Group's concession agreements typically run for a term of one year. The Target Group reviews and the Enlarged Group will continue to conduct its own internal control assessment of their concessionaires based on their sales per square metre before and following completion of the Acquisition. The concessionaires which rank in the last three places will receive a notice of warning from the Target Group, and if their sales volume continues to rank within the last three places for a consecutive period of three months, they shall be deemed to be in breach of the concession agreements. As a result, the concession arrangements with those concessionaires will subsequently be terminated. In addition, the Target Group may request that their concessionaires change the type of goods sold under their concession arrangements and the location and floor area of their respective concession stands.

The Target Group conducts regular quality checks in respect of goods provided by their concessionaires to ensure a high degree of quality control.

LETTER FROM THE BOARD

To maintain the good standing of the Target Group and in order to promote the business of the New JoySun department store, the concessionaires of the Target Group are required to observe a unified personnel system, including the observance of the Target Group's internal disciplinary standards. Concessionaires are also expected to cooperate with the Target Group with regards to marketing and promotional activities conducted by the department stores from time to time.

6. SUPPLIERS

The Target Group maintains stable relationships with their main suppliers which enable the Target Group to carry a stable supply of products and product ranges to respond effectively and expeditiously to changes in market trends and customer preferences in a competitive and constantly-evolving market place.

The suppliers in the wholesale division of the Target Group, especially the manufacturers of high-end Chinese wine and air-conditioning units/systems, place the sales capabilities and performance of wholesalers as their priority. The Target Group has demonstrated its sales capability and performance through years of cooperation with its suppliers. The Target Group has been able to maintain stable and close relationships with such manufacturers through their integrity and credibility. No material complaints or claims have ever been brought against the Target Group by such manufacturers in the past. Following completion of the Acquisition, the Company intends to maintain its existing business relationships and management team for the purposes of strengthening and developing their relationships with these manufacturers of high-end Chinese wine and air-conditioning units/systems.

Following the completion of the Acquisition, with respect to the suppliers of the Target Group, the Company will maintain the current policy of the Target Group. The terms of the supplier contracts typically run for a term of one year. The Target Group reviews and the Enlarged Group will continue to review the sales of each type of goods supplied for the next year, and the Enlarged Group will consider the choice of brands of each type of product including the market recognition, popularity, costs and profitability. Having determined the choice of brands, the Enlarged Group will negotiate with the suppliers of these manufacturers with an intent of cooperation and agreeing further specific contract terms.

7. CUSTOMERS

The Target Group's operations are focused primarily within Ningbo City.

The Target Group's department store customers are predominantly consumers from urban areas of the city. The majority of the Target Group's supermarket customers are residents from communities situated in the same geographical vicinity where the Target Group's various supermarkets stores are situated. Both the department stores and supermarkets of the Target Group ensure that they carry a wide variety of goods and services so as to accommodate and cater to a wide-range of customer demographics.

The Target Group's wholesale customers mainly comprise community stores, supermarkets, department stores and wholesale distributors.

LETTER FROM THE BOARD

8. MARKETING

The Target Group grants various forms of incentives to its customers including the granting of VIP cards and holding promotional events for its VIP customers twice annually. Two department stores of the Target Group also hold festival promotion events offering quality products with discount or gifts. The Target Group also has special concession arrangements with selected credit card companies. Supermarkets of the Target Group holds a bonus shopping point system “Mingsheng 100” regularly offering goods and fresh foods on competitive price.

Granting such incentives to customers enables the Target Group to better understand the behavioural spending habits of its customers which in turn gives the Target Group an understanding of current market trends and customer preferences. The Target Group analyses on the information and adjust the promotional events accordingly.

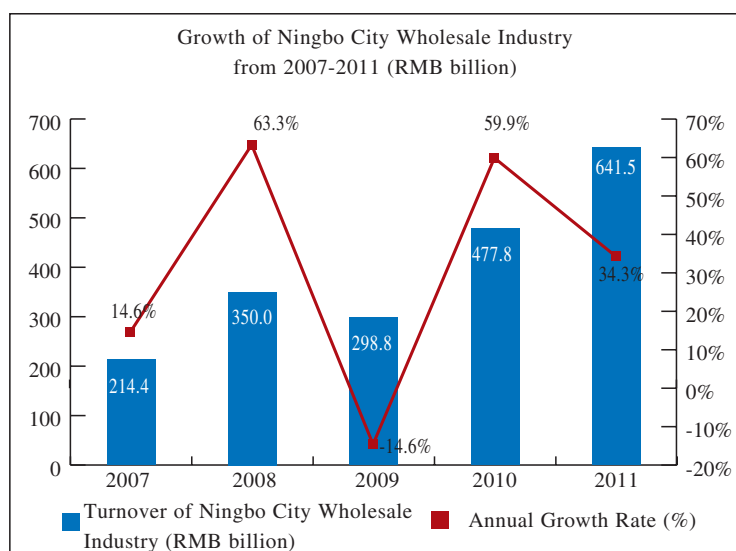
9. INDUSTRY OVERVIEW

Being one of the 15 sub-provincial administrative cities and 5 separate state-planning cities in the PRC, Ningbo City is a seaport city in the northeast of Zhejiang Province which had a total residential population of 5.8 million by the end of 2011. In 2011, Ningbo City’s GDP amounted to RMB601.1 billion, accounting for 18.8% of the total GDP of Zhejiang Province.

In 2011, the amount of sales of Ningbo City’s retail trade is approximately RMB100.5 billion.

In 2011, the turnover of wholesale industry amounted to approximately RMB641.5 billion, accounting for approximately more than one quarter of the turnover of Zhejiang’s wholesale industry, while the residential population of Ningbo City only accounted for 10.6% of total population of Zhejiang Province.

Set out below is a chart illustrating the growth of Ningbo City wholesale industry from 2007-2011:



Source: Ningbo Statistics Bureau

LETTER FROM THE BOARD

10. PROPERTY INTERESTS

The properties where the New JoySun department store, Xiangshan Lisi Department Store, New JoySun Electrical Appliance and thirteen (13) of the thirty-six (36) supermarkets are situated are self-owned by the Target Group.

Set out below is the breakdown of the self-owned properties of the Target Group:

Function of property	Gross floor area <i>(square metres)</i>
Department stores	
New JoySun department store	16,762.68
Xiangshan Lisi Department Store	6,056.21
New JoySun Supermarket Chain	70,155.63
New JoySun Electrical Appliance	124.22
Warehouse facilities	5,055.47
Total:	98,154.21

As at the Latest Practicable Date, the Target Group has not obtained the building ownership certificates in respect of nine (9) properties, the total gross floor area of which is approximately 6,562.4 square metres. Particulars of such properties are set out below:

Location	Gross floor area <i>(square metres)</i>
1. Level 5, 6 and 7, New JoySun department store	2,400
2. Level 1, Xiangshan Lisi Department Store	42
3. Level 1, New JoySun Supermarket Chain (Qiuai store)	26
4. Level 1, New JoySun Supermarket Chain (Xianxiang store)	18
5. Level 1, New JoySun Supermarket Chain (Gulin store)	500
6. Level 1, New JoySun Supermarket Chain (Tangxi store)	896.4
7. Level 1, New JoySun Supermarket Chain (Gaoqiao warehouse)	80
8. New JoySun Supermarket Chain (Dongwu store)	200
9. New JoySun Supermarket Chain (Qiuer store II)	2,400

LETTER FROM THE BOARD

The aggregate net book value of the nine (9) properties above amounts to approximately RMB611,000, RMB591,000 and RMB570,000 as at 31 December 2010, 2011 and 2012, respectively.

As confirmed by the Valuer, the aforesaid nine (9) properties have no commercial value in their existing status.

Taking into account the fact that the nine (9) properties have no commercial value in their existing status and most of these properties are currently used as store rooms or warehouses of the Target Group and are not crucial to the Target Group's operations as they could be replaced by other properties easily, the Company is of the view that the possible financial and operational impact of any failure to obtain the building ownership certificates of the nine (9) properties would not be significant.

Pursuant to Urban and Rural Planning Law of the People's Republic of China* (中華人民共和國城鄉規劃法), Zhejiang Town and County Planning Regulations* (浙江省城鄉規劃條例) and Ningbo City, Town and County Planning Regulation* (寧波市城鄉規劃條例) and other relevant laws and regulations, should the Company fails to obtain relevant building ownership certificates of the nine (9) properties, the relevant governmental authorities may order the Company to: (i) terminate any on-going constructions on those nine (9) properties; (ii) make corrections to the nine (9) properties to eliminate the impacts on relevant Planning Regulations within the specified periods and be penalized for a fine ranging from 5% to 10% of the construction costs of the relevant property; (iii) if correction measure is not applicable, to demolish or forfeit the nine (9) properties and any illegal income derived therefrom and be penalized for a fine ranging from 5% to 10% of the construction costs.

The Company intends to apply for the building ownership certificates, pursuant to the Sale & Purchase Agreement, Shi Hui and the Guarantors shall procure to obtain the building ownership certificates of the nine (9) properties upon completion and shall jointly and severally indemnify and keep the Company indemnified against all losses arising from or in connection with any failure thereto.

Apart from the nine (9) properties above, the Target Group also has a property located at Block B, Guangxi Xincun, Yinjiang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC with a total gross floor area of approximately 2,812.37 sq. m. (the "Guangxi Store Property") with a net book value of approximately RMB19,190,000, RMB18,723,000 and RMB18,255,000 as at 31 December 2010, 2011 and 2012 respectively. The Guangxi Store Property was acquired by New JoySun at a consideration of RMB19.1 million under a property purchase agreement entered with an Independent Third Party in 2009 (the "Property Purchase Agreement") and is used as the site for operation of Guangxi store of the New JoySun Supermarket Chain. New JoySun had already settled part of the purchase price of RMB15 million pursuant to the Property Purchase Agreement. The remaining balance of RMB4.1 million will be paid after New JoySun has obtained the relevant building ownership certificate of the Guangxi Store Property. New JoySun has already applied for the building ownership certificate of the Guangxi Store Property which is pending the approval from the relevant governmental authorities. Under the Property Purchase Agreement, in the event that the relevant building ownership certificate of the Guangxi Store Property cannot be obtained, New JoySun will have the right to lease Guangxi Store Property for a term of 20 years. Accordingly, the purchase price of RMB15 million, which had already been paid by New JoySun, will be returned to New JoySun and the purchase price of Guangxi Property Store under the Property Purchase Agreement adjusted to an annual rent of RMB300,000 (tax inclusive). The abovesaid terms of the Property Purchase Agreement will continue be binding upon New JoySun after completion of the Acquisition. The Directors are of the view that the terms of the Property Purchase Agreement were normal commercial terms and the annual rental was fair and reasonable with reference to the market rent for comparable properties.

LETTER FROM THE BOARD

Taking into account the fact that no loss will arise from the failure to obtain the building ownership certificate in respect of the Guangxi Store Property in any way, the Company is of the view that an undertaking from Shi Hui and the Guarantors in respect of the Guangxi Store Property is not necessary.

Among the properties of the Target Group, one of the supermarkets owned by New JoySun Group located at Shengmo Road, Qiu'ai Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (the "Qiu'er Supermarket Property") is intended to be used for commercial purpose whilst its relevant title certificates are for industrial use. The Qiu'er Supermarket Property has a gross floor area of approximately 3,035.13 sq. m. with market value of approximately RMB7,760,000 as at 31 March 2013.

Regarding the issue about the title certificates are for industrial use, but the actual intended use is for commercial purpose; such change of use of the Qiu'er Supermarket Property requires the approval of the relevant governmental authorities, by which the Target Group is currently in the course of applying for the same. As at the Latest Practicable Date, the Target Group is not aware of any direct legal impediment to its application of the change of use of the Qiu'er Supermarket Property. Nonetheless, the approval of the change of use of the Qiu'er Supermarket Property is subject to relevant governmental authorities' discretion and may be affected by factors such as urban or regional planning, construction and development plans of the area where the Qiu'er Supermarket Property located. As such, successful application of the Target Group cannot be guaranteed.

In the event that the Target Group fails to obtain such approval, such change of use of the Qiu'er Supermarket Property may constitute violation of the Zhejiang Town and Country Planning Regulations* (浙江省城鄉規劃條例) and Ningbo City, Town and Country Planning Regulations* (寧波市城鄉規劃條例), pursuant to which the Target Group may be ordered to make corrections of the use of the Qiu'er Supermarket Property and thus need to terminate the existing three tenancies of the Qiu'er Supermarket Property, confiscate any income derived from such violation, and subject to penalty ranging from RMB10,000 to RMB100,000. Pursuant to the terms of two of the tenancy agreements, in the event that the Target Group terminates its existing tenancy agreements before expiration, it has to compensate RMB12,500 and an amount not exceeding RMB203,597 to the respective tenants accordingly. As for the remaining tenancy with no fixed amount of compensation had been agreed on, the Target Group may be required to make a compensation to the relevant tenant for his actual loss as the result of terminating the tenancy in accordance with the PRC Contract Law (合同法), which may include the cost of renovation incurred by the tenant, relocation expenses and the difference between the rentals payable by the tenant to Target Group and the new landlord under the original term of tenancy (in case the rental under the tenancy with the new landlord is higher than the existing one).

The issues relating to the title deeds of the nine (9) properties, the Guangxi Store Property and the Qiu'er Supermarket Property as mentioned under this section have no significant impact on the operation of the Target Group.

LETTER FROM THE BOARD

11. LEASED PROPERTIES

As at the Latest Practicable Date, twenty-three (23) supermarkets of the Target Group are operated on leased properties. Two (2) out of these twenty-three (23) supermarkets of the Target Group are operated on leased properties owned by subsidiaries of Lisi Co (details of which are set out under the heading of “Part C – Proposed Continuing Connected Transactions” below. The remaining twenty-one (21) supermarkets of the Target Group are operated on properties leased from third parties. The total gross floor area of the leased properties is 77,977 square metres and the leases have an average length of approximately ten (10) years.

Set out below are the details of the leased properties:

	Supermarkets	Gross floor area (square metres)	Term of lease	Length of lease (year)	Rent (RMB)
1.	Wuxiang store	4,358	From 26 July 2006 to 25 July 2016	10	500,000 for the first 2 years; 540,000 for the remaining 10 years.
2.	Zhenming store	1,673	From 1 June 2009 to 31 May 2017	8	780,000 for the first 2 years; 1,150,000 for the next 2 years; 1,145,000 for the remaining 4 years.
3.	Jiacun store	1,480	From 12 January 2009 to 11 January 2019	10	280,000 for the first 3 years; 305,000 for the 4th year, and then an increase of 15,000 every year on the basis of previous years
4.	Dagan store	3,600	From 1 October 2012 to 31 March 2023	11	1,800,000 for every half year



LETTER FROM THE BOARD

	Supermarkets	Gross floor area (square metres)	Term of lease	Length of lease (year)	Rent (RMB)
5.	Xiaolin store	2,906	From 1 June 2006 to 1 June 2018	12	1,200,000 for the first 3 years; 1,260,000 for the next 3 years; 1,284,000 for the 7th and 8th years 1,296,000 for the 9th and 10th years; 1,320,000 for the remaining 3 years.
6.	Yangguangliyuan store	3,000	From 1 February 2011 to 31 January 2030	19	Average rent of approximate 630,000 per year
7.	Yinjiang store	1,200	From 1 October 2012 to 30 September 2015	3	810,000 per year
8.	Chaiqiao store	3,540	From 9 January 2008 to 8 January 2015	7	300,000 per year
9.	Wanzhong store	2,724	From 16 May 2011 to 16 May 2026	15	400,000 for the 1st year; 550,000 for the 2nd and 3rd years; for the rest 12 years the rent will be charged at an increase of 3% every year on the previous year.
10.	Baihe store	2,000	From 1 May 2011 to 30 April 2019	8	700,000 for the first 3 years; 763,000 for the next 3 years; 831,670 for the 7th and 8th years.
11.	Dongqianhu store	1,100	From 1 June 2005 to 31 May 2015	10	305,000 per year
12.	Maoshan store	650	From 1 January 2005 to 1 January 2017	12	50,000 per year
13.	Zhonggongmiao store	2,600	From 1 October 2003 to 30 September 2013	10	100,000 for the 1st year; 193,000 for the 2nd year; 180,000 for the remaining 8 years.
14.	Xiaying store	5,770	From 1 October 2004 to 30 September 2014	10	500,000 per year
15.	Zhangshui store	1,600	From 20 December 2005 to 19 December 2020	15	142,800 per year
16.	Shigan store	3,068	From 1 October 2012 to 30 september 2017	5	2,500,000 per year

LETTER FROM THE BOARD

	Supermarkets	Gross floor area (square metres)	Term of lease	Length of lease (year)	Rent (RMB)
17.	Xianxiang store II	5,650	From 1 January 2012 to 1 January 2027	15	Average rent of approximate 990,000
18.	Dongshan store	410	From 1 August 2009 to 30 June 2019	9 years 11 months	150,000 for the first 3 years; 155,000 for the next 3 years; 160,000 for the remaining 9 years.
19.	Qiuai hypermarket	18,500	From 1 January 2012 to 31 December 2019	8	Average rent of approximate 4,680,000 per year
20.	Longguan store	2,466	From 1 May 2012 to 30 April 2027	15	Average rent of approximate 130,000 per year
21.	Nanyu Store	4,312	From 20 September 2012 to 19 September 2017	5	Average rent of approximate 1,193,000 per year

12. TRADE MARKS

As at the Latest Practicable Date, the Target Group owns a total of eighty-two (82) registered trade marks, including 43 registered trade marks in Xinjiangxia* (新江厦)  series, and 39 registered trade marks in New JoySun  series. All these trade marks have been registered with the relevant PRC government authorities.

13. LOGISTICS AND STORAGE FACILITIES

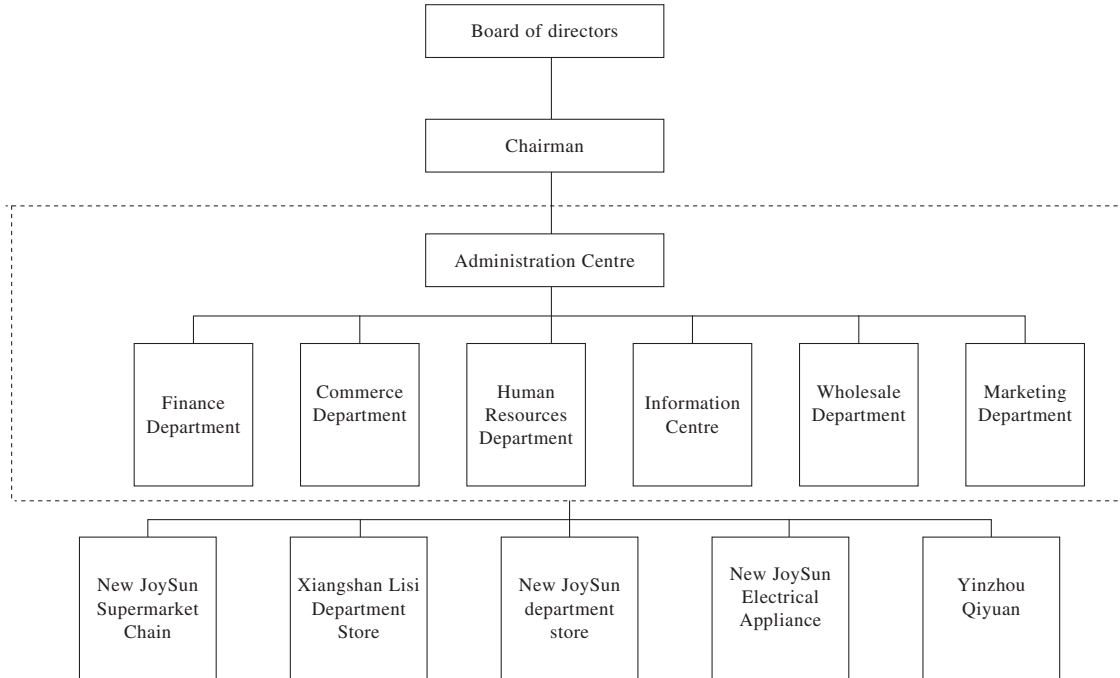
The New JoySun Supermarket Chain and New JoySun possess their own logistics teams responsible for the transportation and supply of goods to the retail stores.

Additionally, the Target Group owns its own warehouse distribution centre which is utilised as a storage facility to maintain inventory levels so as to ensure that the demand for products are adequately met on a timely basis.

LETTER FROM THE BOARD

14. MANAGEMENT STRUCTURE OF THE TARGET GROUP

The organisational structure of the Target Group's management is set out as follows :



The board and the administration centre of New JoySun act as the management headquarters controlling the PRC operations of the Target Group. The management structure of the Target Group is illustrated above. The board of directors and chairman of the board of New JoySun are responsible for important decision making of the Target Group's operations. The administration centre comprises six (6) departments which are responsible for executing the directions from the board: (1) the finance department is responsible for the financing and accounting of the Target Group; (2) the commerce department is responsible for daily operations of the Target Group; (3) the human resources department oversees personnel and remuneration matters of the Target Group; (4) the information centre oversees the financial system and inter-department communications of the Target Group; (5) the wholesale department oversees the wholesale operations of the Target Group; and (6) the marketing department is responsible for marketing and sales promotions and events. Overall, the administration centre controls the financing, marketing and matters relating to human resources of the Target Group. The New JoySun Supermarket Chain, New JoySun Electrical Appliance, Xiangshan Lisi Department Store, Yinzhou Qiyuan and the department store and wholesale operations of New JoySun report to the board and administration centre.

LETTER FROM THE BOARD

15. DIRECTORS AND SENIOR MANAGEMENT OF THE TARGET GROUP

The directors and members of the senior management of the Target Group all possess relevant experience in the wholesale and retail industries. The average length of experience of the Target Group's senior management is approximately six years which includes extensive knowledge of Ningbo City's retail and wholesale markets.

The Company intends to retain the existing directors and management team of the Target Group following completion of the Acquisition, while the Board will retain the responsibility of monitoring and supervising the corporate management and financial affairs of the Target Group. In order to retain the management team of the Target Group, the Company intends to carry out measures including but not limited to (a) adjustment of remuneration with reference to the prevailing market standards; (b) offer of bonuses and additional benefits determined on the basis of experience and performance of individual employee as well as the business and profitability of the Group; (c) provision of training and development to the management team to enhance their professional management skills. In addition, the management of the Target Group will also be eligible to join the share option scheme adopted by the Company upon completion of the Acquisition.

Mr. Li Li Xin, the chairman of the Board and an executive Director, and Mr. Cheng Jian He, an executive Director, are currently the directors of a number of companies comprising the Target Group including but not limited to New JoySun. There is no proposed change to the existing composition of the Board or the senior management of the Group following completion of the Acquisition.

Set out below are brief biographies of the directors and the senior management of the Target Group:

Mr. Li Li Xin, aged 44, is a director and the legal representative of New JoySun. Mr. Li Li Xin holds an Executive Master of Business Administration (EMBA) degree from Fudan University. Mr. Li Li Xin has 21 years of experience in the manufacture and sale of plastic and hardware products and other fast-moving consumer goods. Mr. Li Li Xin is also the sole director of Wealthy Honor. Mr. Li Li Xin is currently a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the China Plastics Processing Industry Association, an executive committee member of National Industrial and Commercial Union and the vice chairman of Ningbo City Industrial and Commercial Union. Mr. Li Li Xin was awarded the title of model worker in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" in 2003 and 2006 by the People's Governments of Ningbo City and Zhejiang Province respectively and was renowned for his contribution to the "Honourable Undertakings" and "Shining Star" promotional programme by the People's Government of Zhejiang Province.

Mr. Cheng Jian He, aged 46, is a director of New JoySun. Mr. Cheng Jian He has over 23 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills respectively. Mr. Cheng Jian He graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. Mr. Cheng Jian He holds an Executive Master of Business Administration (EMBA) degree from Renmin University of China. By profession, Mr. Cheng Jian He is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants. Mr. Cheng Jian He was appointed as executive Director of the Group in September 2008.

LETTER FROM THE BOARD

Madam Zheng Rong, aged 43, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group. Madam Zheng Rong has nearly 20 years of experience in the retail industry and around 18 years of experience in financial management in various industries. Madam Zheng Rong has an EMBA degree from Fudan University in Shanghai.

Madam Zhou Jian, aged 38, is the director of the commerce department and marketing department of New JoySun, responsible for marketing events and operations of New JoySun Group. Madam Zhou Jian has extensive experience in the department store industry. Madam Zhou Jian used to work as the chief marketing officer of Xiangshan Lisi Department Store, and manager of several other department stores in the PRC. Madam Zhou Jian graduated from Ningbo Radio and TV University.

Mr. Ye Yunfei, aged 53, is the general manager of the New JoySun department store responsible for daily operations. Mr. Ye Yunfei has been working in New JoySun Group since 1993. Mr. Ye Yunfei possesses long-term experience in the retail industry. Mr. Ye Yunfei graduated from Zhejiang Radio and TV University and has an EMBA degree from Fudan University in Shanghai.

Mr. Sheng Zhongguo, aged 48, is the director of human resources of New JoySun, responsible for matters relating to employment and remuneration of New JoySun Group. Mr. Sheng Zhongguo has experience in human resources management. Mr. Sheng Zhongguo has a bachelors degree in engineering.

Mr. Jin Weizhong, aged 39, is the director of the operations department of New JoySun, responsible for daily operations and management of New JoySun Group. Mr. Jin Weizhong used to work as the chief procurement officer and general manager for some large-scale retail companies. Mr. Jin Weizhong majored in industrial economic management.

16. FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the financial information of the Target Group based on the combined financial statements for the financial years ended 31 December 2010, 2011 and 2012:

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Turnover	749,563	884,465	844,146
Profit before taxation	64,723	70,288	58,572
Profit for the year	47,179	50,977	40,380

The total assets and net assets of the Target Group as at 31 December 2012 amount to approximately RMB2,463,200,000 and RMB428,283,000 respectively.

At the close of business of 31 March 2013, the Target Group had contingent liabilities in respect of guarantee of approximately RMB126,000,000 given for bank loans drawn by related companies under the control of Mr. Li Li Xin, a controlling Shareholder. Such guarantee will be released prior to completion of the Acquisition. Certain properties and a bank deposit of the Target Group were pledged for bank loans of related companies owned by Mr. Li Li Xin. The aggregate net book value of such properties and the amount of such bank deposit were approximately RMB195,233,000 and RMB16,000,000 respectively as at 31 December 2012.

LETTER FROM THE BOARD

The Company currently intends that it will proceed to completion of the Acquisition after the aforesaid guarantees and pledges of the Target Group's assets have been released. Based on the latest information available to the Company, Mr. Li Li Xin is in the course of negotiating with the relevant banks regarding the release of the relevant pledges and guarantees. The possible solutions under consideration include: (i) to replace the assets pledged by the Target Group with the assets of companies owned by the Controlling Shareholder; or (ii) to replace the borrower under the bank loan agreements with members of the Target Group so that the relevant pledges/guarantees will not constitute a continuing connected transaction after completion of the Acquisition.

Nonetheless, in case any of the said pledges of the Target Group's assets and guarantees cannot be released before completion of the Acquisition, the Company will comply with the reporting, announcement and independent Shareholder's approval requirements under Chapters 14 and 14A of the Listing Rules (where applicable) as soon as practicable.

17. COMPETITIVE STRENGTHS OF THE TARGET GROUP

The Directors believe that the Target Group will be able to compete effectively and capitalise on anticipated long-term growth in the department store, supermarket and wholesale markets due to the Target Group's competitive strengths described below:

The Target Group possesses a diversified customer base and revenue source

The Target Group is not dependent upon any one customer or business segment for its revenue. The Target Group has positioned itself to cater to the needs of a broad range of customers with different shopping preferences and needs by operating in two retail formats, as well as a wholesale business.

For each of the three years ended 31 December 2010, 2011 and 2012, the Target Group had no customers with whom transactions exceeded 10% of the Target Group's turnover.

The following table shows a breakdown of the Target Group's revenue from external customers by business segments for the three years ended 31 December 2010, 2011 and 2012: –

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Supermarkets	437.1	531.4	507.9
Department stores	40.5	41.8	39.2
Wholesale	272.0	311.2	297.1

This diversity in the Target Group's customer base enables the Target Group to be less susceptible to changing market conditions and fluctuations and provides stability to the Target Group and its operations.

LETTER FROM THE BOARD

Experienced and dedicated management team

Led by its chairman, Mr. Li Li Xin, the Target Group has an experienced and dedicated management team comprising the Target Group's directors and senior management.

Mr. Li Li Xin has 21 years of experience in the manufacture and sale of plastic and hardware products and other fast-moving consumer goods. Mr. Cheng Jian He possesses over 23 years of experience in financial management in various industries. Mr. Cheng Jianhe graduated from the Jiangxi University of Finance with a degree in financial accounting and completed the Advanced Programme in Business Administration for Managers at Tsinghua University in Beijing. Mr. Cheng Jianhe holds an Executive Master of Business Administration (EMBA) degree from Renmin University.

Mr. Ye Yunfei, the general manager of the New JoySun department store, has been working with the Target Group since 1993. Mr. Ye Yunfei graduated from Fudan University in Shanghai with an Executive Master of Business Administration (EMBA) degree and possesses extensive experience in the retail industry and in particular with respect to the local markets in Ningbo City.

Madam Zheng Rong is the chief financial officer of New JoySun and possesses nearly 20 years of experience in the retail industry and nearly 18 years of experience in financial management. Madam Zheng Rong also graduated from Fudan University in Shanghai with a degree in Executive Master of Business Administration (EMBA).

The management team's experience and expertise within the relevant industries and their experience of the Ningbo City market have proved invaluable to the Target Group's continued development and success. The Target Group has been able to leverage their extensive insights in the local markets and capitalise on the inter-personal relationships established with suppliers and concessionaires through many years which have enabled the Target Group to better anticipate and understand customer preferences and local tastes, identify new market trends and to identify new opportunities that may emerge from time to time.

The strategic location of the Target Group's retail sites some of which are owned by the Target Group

Both department stores operated by the Target Group are situated on property self-owned by the Target Group. In addition, thirteen (13) of the thirty-six (36) supermarkets operated by the Target Group are also self-owned. This enables the Target Group to carry out its operations on those sites with minimal disruption and to protect against risks from fluctuations in the rental market.

The strategic locations of the Target Group's retail sites and the Target Group's long-term access to those sites are a key factor to the continued success of the Target Group's retail operations. The majority of these properties are situated in urban areas of Ningbo City in areas of high-pedestrian flow which attract a high volume of consumers, or with some of the Target Group's supermarkets, in residential areas with high-growth prospects. As at the Latest Practicable Date, the total gross floor area of properties occupied by the Target Group is approximately 176,131.21 square metres among which approximately 98,154.21 square metres are owned by the Target Group and approximately 77,977 square metres are leased.

LETTER FROM THE BOARD

The supply and availability of large retail sites with good locations are limited and thus the Target Group's ownership and/or occupation of those sites affords the Target Group a strategic advantage over other competitors in its markets.

Effective marketing strategies for the Target Group's department store and supermarket operations

In order to better promote the business of the Target Group, the Target Group has implemented various marketing strategies, particularly with respect to their department store and supermarket operations. These have proved to be effective in promoting sales growth and a better understanding of customer spending patterns.

For instance, the Target Group offers various customer privileges and incentives such as VIP cards and the holding of seasonal promotional events to entice new and existing customers to their department stores and supermarkets. In January 2012, the Target Group successfully opened its first hypermarket in Ningbo City with a gross floor area of approximately 18,500 square metres. The hypermarket provides customers of the Target Group with a "one-stop" shop destination, and an attractive platform to implement further promotional and marketing activities.

The Target Group possesses a comprehensive integrated operational management system and an efficient logistics network

The Target Group's integrated operational management systems and network infrastructure across its operations assists to monitor the Target Group's daily operations to enable effective implementation of the Target Group's information management system over its operations and resources. This includes the key areas of procurement and logistics management.

The Target Group possesses its own logistics teams which are responsible for the transportation and supply of goods to its department stores and in particular its supermarkets. Additionally, the Target Group also owns its own warehouse distribution centre which is utilised as a storage facility to maintain inventory levels so as to ensure that demand for products are adequately met in a timely manner.

Based on the above, the Company is of the view that the competitive strengths of the Target Group will enable the Enlarged Group to position itself favourably in the department store, supermarket and wholesale markets, respectively.

Following completion of the Acquisition, the Target Group will become a group of indirect wholly-owned subsidiaries of the Company and its financial information will be consolidated into the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group is included in Appendix III to this circular.

LETTER FROM THE BOARD

PART C – PROPOSED CONTINUING CONNECTED TRANSACTIONS

Lisi Co is owned as to 98.15% by Mr. Li Li Xin and his spouse, Ms. Jin Ya Er, and Lisi Co and its subsidiaries are therefore associates of Mr. Li Li Xin and connected persons of the Company. Immediately following completion of the Acquisition, members of the Target Group will become subsidiaries of the Company. As such, certain continuing and recurring transactions between Lisi Group and the Target Group will become continuing connected transactions of the Company.

As the counterparty to each of the Continuing Connected Transactions is regarded as a connected person of the Company since it is an associate of Mr. Li Li Xin, the Continuing Connected Transactions are aggregated pursuant to Rule 14A.25 of the Listing Rules.

As the aggregate amount of the annual caps under the Continuing Connected Transactions will exceed HK\$10 million per annum, the Continuing Connected Transactions constitute continuing connected transactions of the Company immediately following completion of the Acquisition and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As Mr. Li Li Xin has material interests in the Continuing Connected Transactions, Mr. Li Li Xin and his associates are required to abstain from voting on the relevant resolutions relating to the Continuing Connected Transactions at the SGM.

The principal terms of each of the Continuing Connected Transactions are set out as follows:

A. LEASING FRAMEWORK AGREEMENT

Date

5 March 2013

Parties

- (a) New JoySun (for itself and on behalf of its subsidiaries); and
- (b) Lisi Co (for itself and on behalf of its subsidiaries)

Term

The term of the Leasing Framework Agreement is from 5 March 2013 to 31 December 2015, unless at any time the landlord gives at least three (3) months' prior notice of termination to the other party. Upon expiry, the Leasing Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three (3) years.

LETTER FROM THE BOARD

Leasing of premises

Pursuant to the Leasing Framework Agreement between New JoySun and Lisi Co, it was agreed, inter alia, that members of New JoySun Group may lease various premises from members of Lisi Group, and reciprocally, members of Lisi Group may lease various premises from members of New JoySun Group.

Each of New JoySun and Lisi Co will procure its subsidiaries respectively to enter into individual lease agreements in respect of the certain premises in the PRC during the term thereof and on terms which are in line with the terms of the Leasing Framework Agreement. The individual lease agreement will set out specific terms of the leases, including but not limited to particulars of the premises, rental and other fees payable and the payment terms thereof.

Pursuant to the terms of the Leasing Framework Agreement, the terms and conditions of each individual lease agreement will be negotiated on an arm's length basis among the contracting parties and on normal commercial terms or terms no less favourable to New JoySun Group than terms available to or from (as appropriate) Independent Third Parties for leasing similar properties.

The rent should be determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market rent of similar properties in the relevant area from time to time.

Historical transaction value

The historical transaction value in respect of the leasing transactions between members of Lisi Group (as landlord) and members of New JoySun Group (as tenant) are as follows:

	Year ended 31 December		
	2010	2011	2012
	(RMB)	(RMB)	(RMB)
Leasing transactions between members of Lisi Group (as landlord) and members of New JoySun Group (as tenant)	375,000	500,000	750,000

No transaction value was recorded in respect of leasing of premises from members of New JoySun Group (as landlord) to members of Lisi Group (as tenant) for each of the three years ended 31 December 2012.

LETTER FROM THE BOARD

Proposed annual caps

The proposed annual caps for the leasing transactions contemplated under the Leasing Framework Agreement for each of the three years ending 31 December 2015 are set out as follows:

	Year ended 31 December		
	2013 (RMB)	2014 (RMB)	2015 (RMB)
Leasing transactions between members of Lisi Group (as landlord) and members of New JoySun Group (as tenant)	750,000	750,000	750,000
Leasing transactions between members of New JoySun Group (as landlord) to members of Lisi Group (as tenant)	1,800,000	1,800,000	1,800,000
Total	2,550,000	2,550,000	2,550,000

The proposed annual caps for the leasing transactions between members of Lisi Group (as landlord) and members of New JoySun Group (as tenant) are determined, after arm's length negotiations between the parties, by reference to (1) historical transaction value for similar leasing transactions between members of Lisi Group (as landlord) and members of New JoySun Group (as tenant) and (2) current market rate of similar transactions.

The proposed annual caps for the leasing transactions between members of New JoySun Group (as landlord) and members of Lisi Group (as tenant) are determined, after arm's length negotiations between the parties, by reference to current market rate of similar transactions.

B. MUTUAL SUPPLY FRAMEWORK AGREEMENT

Date

5 March 2013

Parties

- (a) New JoySun (for itself and on behalf of its subsidiaries); and
- (b) Lisi Co (for itself and on behalf of its subsidiaries)

LETTER FROM THE BOARD

Term

The term of the Mutual Supply Framework Agreement is from 5 March 2013 to 31 December 2015, unless at any time any one party gives at least three (3) months' prior notice of termination to the other party. Upon expiry, the Mutual Supply Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three (3) years.

Mutual supply of products

Pursuant to the Mutual Supply Framework Agreement, New JoySun agreed to procure its subsidiaries to supply to members of Lisi Group certain products which can be divided into the following three categories:

- (1) electrical appliance products, for use in Lisi Group's property development projects;
- (2) Chinese liquor, wine and other food and beverage products; and
- (3) fresh food, daily necessities, groceries, sanitary products and other domestic products for supermarket operated by Lisi Group.

In return, Lisi Co agreed to procure its subsidiaries to supply to members of New JoySun Group certain household products.

The parties will enter into individual supply contracts to set out specific terms of supply including but not limited to the products to be supplied, price, payment terms and terms of delivery. Such terms will be consistent with the principles and the terms of the Mutual Supply Framework Agreement. If there is any conflict between the terms of an individual supply contract and the Mutual Supply Framework Agreement, the latter shall prevail.

Pricing basis and payment terms

The terms of the individual supply contracts including unit price of the products and payment terms shall be determined and negotiated based on normal commercial terms and with reference to the prevailing fair market prices of comparable products, and such terms shall be no less favourable than those offered to or from members of New JoySun Group by or to independent third parties.

Depending on the products to be supplied, market demand, level of inventory and volume and time of delivery for each transaction, it is generally expected that payment shall be made by telegraphic transfer or cash. The time of payment will be negotiated upon the parties entering into individual supply contracts.

LETTER FROM THE BOARD

Historical transaction value

The historical transaction value in respect of the mutual supply of products between New JoySun Group and Lisi Group under the Mutual Supply Framework Agreement are as follows:–

	Year ended 31 December		
	2010 <i>(RMB)</i>	2011 <i>(RMB)</i>	2012 <i>(RMB)</i>
<i>Supply of products from</i>			
<i>New JoySun Group to Lisi Group</i>			
(1) electrical appliance products	Nil	Nil	3,000,000
(2) food and beverage products	Nil	2,350,000	2,619,000
(3) daily necessities for supermarket operated by Lisi Group	Nil	5,920,000	5,423,000
<i>Supply of products from Lisi Group to</i>			
<i>New JoySun Group</i>			
– household products	Nil	Nil	7,588,000

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Mutual Supply Framework Agreement for each of the three years ending 31 December 2015 are set out as follows:

	Year ended 31 December		
	2013 <i>(RMB)</i>	2014 <i>(RMB)</i>	2015 <i>(RMB)</i>
<i>Supply of products from</i>			
<i>New JoySun Group to Lisi Group</i>			
(1) electrical appliance products	28,000,000	44,000,000	57,000,000
(2) food and beverage products	3,000,000	3,500,000	4,100,000
(3) daily necessities for supermarket operated by Lisi Group	10,000,000	15,000,000	20,000,000
<i>Supply of products from Lisi Group to</i>			
<i>New JoySun Group</i>			
– household products	15,000,000	25,000,000	35,000,000
Total	56,000,000	87,500,000	116,100,000

LETTER FROM THE BOARD

The above annual caps are determined, after arm's length negotiations between the parties with reference to, among others (i) the historical transaction value for similar transactions between New JoySun Group and Lisi Group; (ii) the price of comparable products sold to or purchased from independent third parties; and (iii) the expected growth in business between New JoySun Group and Lisi Group.

REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Prior to the Acquisition, members of New JoySun Group and Lisi Group have been engaging in various continuing and recurring transactions including but not limited to leasing of properties and providing and procuring products to and from each other in their ordinary and usual course of business and based on arm's length commercial terms. Upon completion of the Acquisition, New JoySun Group being part of the Target Group will become subsidiaries of the Company and such transactions between New JoySun Group and Lisi Group will become continuing connected transactions between the Enlarged Group and Lisi Group.

The Continuing Connected Transactions will enable the Enlarged Group to maintain and expand the business relationship with Lisi Group.

In respect of the proposed leasing transactions between Lisi Group (as landlord) and New JoySun Group (as tenant) as contemplated under the Leasing Framework Agreement, New JoySun Group has been leasing two premises from Lisi Group prior to the date of the Sale & Purchase Agreement as the sites for the Tonglu and Jishigang stores under New JoySun Supermarket Chain. Most of the customers to these two stores are residents from communities situated in the geographical vicinity where the stores are located and these two stores have contributed positively to the turnover of the Target Group since they commenced operations. After considering various factors including the location and rent of these two premises, the Company considers that the continuing lease of such premises from Lisi Group would benefit the retail operations and business of the Target Group. On the other hand, New JoySun Group proposes to lease certain designated areas in New JoySun department store to Lisi Group for sales of books and magazines. New JoySun, being a PRC sino-foreign enterprise, is restricted from selling books and magazines in the PRC. The Company considers that the inclusion of a books and magazines corner in New JoySun department store would enrich the range of merchandise therein which would in turn attract more customers.

In respect of the transactions contemplated under the Mutual Supply Framework Agreement, the Enlarged Group will also be able to acquire prompt and stable supply of products from Lisi Group, thus lowering the operation risks and costs and facilitating the Enlarged Group's routine management on its business operations.

In light of the above, the Directors believe that the entering into of the Continuing Connected Transactions is in the ordinary and usual course of business of the Enlarged Group and the Directors consider that the terms of each of the Leasing Framework Agreement and the Mutual Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

PART D – ADDITIONAL INFORMATION

1. INFORMATION OF THE VENDOR AND THE GUARANTORS

Shi Hui is an investment holding company incorporated in the BVI. As at the Latest Practicable Date, it is wholly owned by Big-Max which is in turn owned by the Guarantors, namely, Mr. Li Li Xin and his spouse, Ms. Jin Ya Er, as to 90% and 10% respectively.

2. SGM

The SGM will be held at 3:00 p.m. on 7 June 2013 at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong to consider and, if thought fit, approve, among other matters, the Acquisition, the proposed grant of the Specific Mandate, the issue of the Consideration Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares and the Continuing Connected Transactions.

As Mr. Li Li Xin has material interests in the Acquisition and the Continuing Connected Transactions, Mr. Li Li Xin and his associates, who are in aggregate interested in 1,350,493,014 Shares (representing 54.52% of the issued share capital of the Company) as at the Latest Practicable Date, are required to abstain from voting on the relevant resolutions relating to the Acquisition and the Continuing Connected Transactions at the SGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from Mr. Li Li Xin and his associates shall abstain from voting on the resolutions to be proposed at the SGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis.

The votes to be taken at the SGM in relation to the proposed resolutions will be taken by poll.

CCB International Capital Limited has been appointed as the financial adviser to the Company in connection with the Acquisition and the transactions contemplated thereunder.

The Independent Board Committee comprising all the three independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders set out in its letter on pages 58 to 86 of this circular.

LETTER FROM THE BOARD

A notice convening the SGM is set out on pages 288 to 290 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

3. RECOMMENDATION

On the basis of the information set out in this circular, the Directors (excluding the independent non-executive Directors whose views are included in the letter from the Independent Board Committee set forth on page 57 of this circular) are of the opinion that the terms of the Sale & Purchase Agreement and the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable and that the Acquisition and the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the all resolutions set out in the notice of the SGM.

Yours faithfully,
By order of the Board
Lisi Group (Holdings) Limited
Li Li Xin
Chairman



LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

22 May 2013

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 22 May 2013 (the “Circular”) which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider the terms and conditions of the Acquisition and the Continuing Connected Transactions (details of which are set out in the “Letter from the Board” in the Circular) and to advise the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions. Guangdong Securities has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the “Letter from the Board” and the letter from Guangdong Securities as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Guangdong Securities as set out in its letter of advice, we consider that the terms and conditions of the Acquisition and the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Independent Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions approving the Acquisition and the Continuing Connected Transactions at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Mr. He Chengying

Mr. Cheung Kiu Cho Vincent

Mr. Shin Yick Fabian

Independent Non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

22 May 2013

*To: The independent board committee and the independent shareholders
of Lisi Group (Holdings) Limited*

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; AND (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 May 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Acquisition

On 4 March 2013, the Company (as purchaser) entered into the Sale & Purchase Agreement with Shi Hui (as vendor) and the Guarantors (as guarantors), pursuant to which the Company conditionally agreed to purchase and Shi Hui conditionally agreed to sell the Wealthy Honor Sale Share, being the entire issued share capital of Wealthy Honor, for the Consideration of HK\$892,800,000, out of which HK\$510,000,000 will be satisfied by way of allotment and issue of the Consideration Shares at the issue price of HK\$0.30 per Consideration Share (the “**Issue Price**”) whilst HK\$382,800,000 will be satisfied by way of issue of the Consideration Convertible Bonds in the principal amount of HK\$382,800,000 at the initial conversion price of HK\$0.30 per Conversion Share (the “**Conversion Price**”).

With reference to the Board Letter, the Acquisition constitutes a non-exempt connected transaction and a very substantial acquisition for the Company under Chapters 14A and 14 of the Listing Rules respectively. Accordingly, the transactions contemplated under the Sale & Purchase Agreement are subject to the reporting, announcement and the independent shareholders’ approval requirements as set out in the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

The Continuing Connected Transactions

Upon completion of the Acquisition, since the New JoySun Group being part of the Target Group will become subsidiaries of the Company, the continuing and recurring transactions, including the transactions contemplated under the Leasing Framework Agreement and the Mutual Supply Framework Agreement, between the New JoySun Group and the Lisi Group will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. According to the Board Letter, those continuing connected transactions are non-exempt and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements as set out in the Listing Rules.

An Independent Board Committee comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the respective terms of the Sale & Purchase Agreement, the Leasing Framework Agreement and the Mutual Supply Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Sale & Purchase Agreement, the Leasing Framework Agreement and the Mutual Supply Framework Agreement, and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. 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 facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, that having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading.

LETTER FROM GUANGDONG SECURITIES

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wealthy Honor, Shi Hui, the Guarantors, Lisi Co or their respective subsidiaries or associates, nor have we considered the taxation implication and possible risks on the Group or the Shareholders as a result of the Acquisition and/or the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition and the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

(A) THE ACQUISITION

Background of the Acquisition

Information on the Group

As referred to in the Board Letter, the Group is principally engaged in manufacturing and trading of plastic and metal household products.

Set out below are the consolidated financial results of the Group for the six months ended 30 September 2012 and the two years ended 31 March 2012, as extracted from the Company's interim report for six months ended 30 September 2012 (the "2012 Interim Report") and its annual report for the year ended 31 March 2012 (the "2011/12 Annual Report"):

	For the six months ended 30 September 2012 (unaudited) RMB'000	For the year ended 31 March 2012 (audited) RMB'000	For the year ended 31 March 2011 (audited) RMB'000	Change from the 2010/11 financial year to the 2011/12 financial year %
Revenue	183,326	393,890	384,461	2.45
(Loss)/Profit for the period/year	(4,206)	9,923	10,467	(5.20)

LETTER FROM GUANGDONG SECURITIES

From the above table, we noted that the Group's revenue increased by approximately 2.45% from the 2010/11 financial year to the 2011/12 financial year but the profit for the year decreased by approximately 5.20% during the same year under review. As referred to in the 2011/12 Annual Report, such decrease in profit was mainly attributable to (i) the challenges in managing costs due to the price volatility on major materials in the global market and rise of the local production cost in the PRC factories (as a result of local cost increase); and (ii) the planned relocation of the Group's manufacturing factory in Shenzhen, the PRC to Ningbo, the PRC which had some short term negative impact on the financial results of the Group, including for example, higher administrative expenses.

We further noted that the Group recorded loss for the six months ended 30 September 2012. As advised by the Directors, the loss of the Group for the period was mainly continually caused by the planned termination of the Group's manufacturing facilities in Shenzhen and the subsequent relocation to Ningbo. The relocation had created certain disruption in the normal production schedule and product delivery, some loss in orders from customers, as well as higher administrative expenses. As further advised by the Directors, the management of the Company had already taken measures to minimise the short term negative impact due to the aforesaid plant relocation. Despite the short term negative impact, the Directors considered that the plant relocation is justifiable since after the relocation, the Group's manufacturing plant will be consolidated into one location (i.e. Ningbo), and thereby driving synergies to improve efficiency in purchasing, production and logistics in the medium and long term.

Information on the Target Group

(a) Group structure and business

With reference to the Board Letter, the Target Group consists of Wealthy Honor, Treasure Time, Da Mei (Ningbo) Electrical Appliance, New JoySun, New JoySun Supermarket Chain, Xiangshan Lisi Department Store, New JoySun Electrical Appliance, Yinzhou Qiyuan, Tonglu Lisi Supermarket, Ningbo Lisi Supermarket, Jiangdong New JoySun and New JoySun Logistics, respectively.

The Target Group mainly comprises both retail and wholesale business operations in Ningbo. The Target Group is principally engaged in the rental operation of one department store; and the retail operation of (i) one department store; and (ii) a chain of supermarkets comprising 36 supermarkets. The Target Group also comprises wholesale operation which involves (i) the wholesale of alcohol, wine and beverages; and (ii) the wholesale of electrical appliances, mainly stand-alone and central air-conditioning systems. In addition, the Target Group provides decorating services to department stores. As confirmed by the Directors, the Target Group derives the majority of its turnover and profit from the operation of supermarkets.

LETTER FROM GUANGDONG SECURITIES

With regard to the rental operation of one department store as just mentioned, since December 2012, Xiangshan Lisi Department Store has leased 5,000 square metres to an Independent Third Party for a term of eight years and has derived most of its income from the rental income deriving therefrom. As advised by the Directors, the leasing out of Xiangshan Lisi Department Store (the “Lease”) was a new attempt under the Target Group’s business development strategies, aiming for: (a) assigning more management resources in business development, negotiations of choosing new locations for business operations, mergers and acquisitions; and (b) speeding up the geographical and scale expansion of the chain store network. For the three years ended 31 December 2012, Xiangshan Lisi Department Store accounted for approximately 4% revenue of the Target Group and had minimal contribution to the Target Group’s profit. As further advised by the Directors, the Company has no current intention to further lease out any other department store and/or supermarkets of the Target Group after completion of the Acquisition. Therefore, the Directors are of the view that the Lease will not be material to the Target Group and the Enlarged Group’s business in short term.

Shareholders may refer to the section headed “Part B – Information of the Target Group” of the Board Letter for further details with regard to the shareholding structure (including but not limited to the Reorganisation), business, competitive advantages, and directors and senior management members of the Target Group.

(b) Property interests

With reference to the Board Letter, the properties where the New JoySun department store, Xiangshan Lisi Department Store, New JoySun Electrical Appliance and 13 of the 36 supermarkets are situated are self-owned by the Target Group; whereas New JoySun Supermarket Chain also enters into lease/tenancy contracts for the remaining 23 supermarkets.

The following table sets out a breakdown of the total gross floor area of the Target Group’s self-owned properties:

Properties interests	Gross floor area <i>(square metres)</i>
Department stores	
– the New JoySun department store	16,762.68
– the Xiangshan Lisi Department Store	6,056.21
New JoySun Supermarket Chain	70,155.63
New JoySun Electrical Appliance	124.22
Warehouse facilities	5,055.47
Total	98,154.21

Shareholders may refer to the sub-section headed “Property interests” of the section headed “Part B – Information of the Target Group” of the Board Letter and the valuation reports as contained in Appendices V and VI to the Circular for further description of the property interests of the Target Group.

LETTER FROM GUANGDONG SECURITIES

(c) Financial overview

Set out below is the financial information of the Target Group based on the audited combined financial statements for the three years ended 31 December 2012 as extracted from the accountants' report of the Target Group as contained in Appendix II to the Circular:

	For the year ended 31 December 2012 RMB'000	For the year ended 31 December 2011 RMB'000	For the year ended 31 December 2010 RMB'000
Turnover	844,146	884,465	749,563
Profit before taxation	58,572	70,288	64,723
Profit for the year	40,380	50,977	47,179

We understand that the above financial information includes the financial information of the supermarkets which had ceased operation during the three years ended 31 December 2012. As advised by the Company, supermarkets operate in a competitive market and the retail markets in general are dynamic in nature. To cope with the competitive and dynamic market, it is common for the operator of a supermarket chain to open up new supermarkets or close down individual existing supermarkets at different locations at certain timings, depending on the latest alterations in market factors, such as changes in size of population as well as the set up of new competitors within the neighborhood, in pursuit of the best business development of the supermarket chain.

Since the incorporation of New JoySun Supermarket Chain in 2001, it has been part of its business operation to open up and close down (if necessary) supermarkets in second and third tier cities and counties in the urban area of Ningbo. As a result, the Directors are of the view that the business and financial results of New JoySun Supermarket Chain should be reviewed regardless of its normal business changes in operating locations as aforesaid. For this reason, the Directors also consider that the above financial information, without adjusting for cessation of operations of the supermarkets which would not be included in the Target Group, would provide meaningful and not misleading information to the Shareholders regarding the Acquisition and we concur with the Directors based on the nature of the supermarket retail business.

Industry overview

With reference to the Statistical Communiqué of the PRC on the 2012 National Economic and Social Development published by the National Bureau of Statistics of China in February 2013, from 2008 to 2012, the PRC's GDP increased at a compound annual growth rate ("CAGR") of approximately 13.4% and reached approximately RMB51,932 billion in 2012. The PRC also experienced substantial growth in retail sales of consumer goods with a CAGR of approximately 16.3% from 2008 to 2012 and the retail sales of consumer goods reached approximately RMB21,031 billion in 2012. During the period from 2008 to 2012, the annual disposable income of urban households per capita increased from approximately RMB15,781 to approximately RMB24,565, representing a CAGR of approximately 11.7%.

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With reference also to an article titled 《2012年寧波市國民經濟和社會發展統計公報》 (Statistical Report on the Economic and Social Development of Ningbo in 2012*) published by the Ningbo Municipal Statistics Bureau and the Survey Office of the National Bureau of Statistics in Ningbo in February 2013 at <http://www.nbstats.gov.cn/>, the GDP of Ningbo increased by approximately 7.8% and reached approximately RMB652 billion in 2012. The sales of consumer goods in Ningbo reached approximately RMB233 billion in 2012, representing an increase of approximately 15.4% as compared to the prior year. In 2012, the annual disposable income of urban households per capita in Ningbo also increased to approximately RMB37,902, representing an increase of approximately 11.3% as compared to the prior year.

According to the Ningbo Statistical Yearbook 2012 published by the China Statistics Press, in 2011, the total sales of supermarkets and department stores in Ningbo constituted approximately 15.9% and 8.8% of the total sale value (including both wholesale and retail) in Ningbo.

In consideration of the aforesaid favourable statistics, the Directors are confident about the prospects of the retail and wholesale industry in Ningbo.

Reasons for the Acquisition

According to the Board Letter and as mentioned in the foregoing, the principal activities of the Company, operating through its subsidiaries, are the manufacture and supply of various household products. The Company will continue to operate and develop its existing business.

The Company has also adopted and implemented a diversification strategy aimed at identifying suitable investment opportunities that will benefit the Company and the Shareholders as a whole. As a result, the Company has continued to explore the feasibility of strategic acquisitions with potential business that has strong growth potential and good earnings potential.

Following completion of the Acquisition, the Company intends to retain the existing directors and management team of the Target Group to ensure smooth operation of the Target Group's business and supply chain, and its seamless integration into the Group. The Directors consider that the brand recognition of the businesses of the Target Group, and in particular its department stores and supermarket chain, will be beneficial to the Company, being a Hong Kong listed entity which already has an operational presence in Ningbo, which will in turn benefit the Enlarged Group.

As confirmed by the Directors, the Acquisition enables the Company to augment its business operations to include the existing retail operations of department stores and supermarkets, together with the wholesale operation of the Target Group. The Acquisition marks the Company's entry into the department store and supermarket retail business. Synergy between the Target Group's business and the Company's existing business may be achieved in the future should and as suitable opportunities arise. For instance, the Enlarged Group may utilise the sales network of the Target Group to promote sales of its various household products and enhance its recognition in the market.

To this end, the Directors consider that the Acquisition is in line with the diversification strategy and represents an attractive investment opportunity for the Company.

LETTER FROM GUANGDONG SECURITIES

Upon our further enquiry, we noted that as at the Latest Practicable Date, the Lisi Group operated four department stores (the “**Excluded Department Stores**”) and one supermarket (the “**Excluded Supermarket**”). Two out of the four Excluded Department Stores and the Excluded Supermarket are located in Ningbo and the remaining two Excluded Department Stores are located in Tonglu County, Hangzhou and Haiyan County, Jiaqing in Zhejiang Province, the PRC. All four Excluded Department Stores commenced business in 2010 or 2011 and recorded net losses for each of the two years ended 31 December 2012. Since the Excluded Department Stores are still in their start up stage of operation and are loss making, the Directors decided not to acquire for the Excluded Department Stores at the present stage.

The Excluded Supermarket is situated at the basement of one of the Excluded Department Stores and forms part of that Excluded Department Store and as such, the Directors decided not to include the Excluded Supermarket into the Target Group.

The Directors believe that the Enlarged Group is capable of carrying on its business independently of, and at arm’s length from, the Excluded Department Stores and the Excluded Supermarket owned by the Lisi Group after completion of the Acquisition, on the basis that, among other factors:

- (i) while two of the Excluded Department Stores are situated in Ningbo, the districts in which they are located are different from those in which the two department stores owned by the Target Group namely, the New JoySun department store and Xiangshan Lisi Department Store, are located. The other two Excluded Department Stores are located in Tonglu County, Hangzhou and Haiyan County, Jiaqing; and
- (ii) the Company will enter into a deed of non-competition (the “**Non-competition Deed**”) with Shi Hui, the Guarantors and Lisi Co (the “**Covenantors**”) on or prior to the date of completion of the Acquisition. Under the Non-competition Deed, the Covenantors shall undertake not to engage, other than through the Excluded Department Stores and the Excluded Supermarket, in any businesses of manufacture and sale of household products as well as the retail trade in merchandise in department stores and supermarkets in Ningbo. The non-competition restrictions under the Non-competition Deed shall terminate on the earlier of (i) the date on which the Covenantors cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and (ii) the date on which the Shares ceased to be listed on the Stock Exchange. As such, the Lisi Group will not open, own or operate any new department stores or supermarkets in Ningbo other than the Excluded Department Stores and the Excluded Supermarket so long as the Non-competition Deed is in effect. Under the Non-competition Deed, the Covenantors shall grant the Company an option to purchase the whole or part of the interest in the Excluded Department Stores or the Excluded Supermarket. The price at which the option will be exercised shall be negotiated and agreed between the Company and Lisi Co at the time of exercise. If the parties fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price. The Covenantors will also grant the Company a right of first refusal in the event that Lisi Co wishes to sell the whole or part of its interest in the Excluded Department Stores or the Excluded Supermarket

LETTER FROM GUANGDONG SECURITIES

to any third party. Decisions as to whether or not to exercise the right of first refusal shall be subject to the review and approval of the independent non-executive Directors. If the Company decides not to acquire for such interest, an announcement will be made by the Company setting out the reasons for not exercising such right and Lisi Co may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to the Company. Despite that the entering into of the Non-competition Deed is not a condition precedent to the Acquisition, pursuant to the Sale & Purchase Agreement, in case Shi Hui fails to, among other things, deliver the Non-competition Deed upon completion of the Acquisition, the Company has the right to postpone completion of the Acquisition, proceed with completion of the Acquisition or terminate the Sale & Purchase Agreement.

Taking into account of (i) the above potential benefits of the Acquisition as represented by the Directors; (ii) the positive historical financial performance of the Target Group; (iii) the prospects of the retail and wholesale industry in Ningbo as demonstrated under the sub-section headed "Industry overview" above; (iv) the fact that the Acquisition is in line with the Group's business strategy, amongst others, to step up its efforts to explore new business; and (v) the rationale of not including the Excluded Department Stores and the Excluded Supermarket into the Target Group as represented by the Directors together with the Non-competition Deed, we concur with the Company that the Acquisition, which is not conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Sale & Purchase Agreement

On 4 March 2013, the Board announced that the Company (as purchaser) entered into a conditional Sale & Purchase Agreement with Shi Hui (as vendor) and the Guarantors, pursuant to which the Company conditionally agreed to purchase and Shi Hui conditionally agreed to sell the Wealthy Honor Sale Share, being the entire issued share capital of Wealthy Honor, for the Consideration of HK\$892,800,000, out of which HK\$510,000,000 will be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price of HK\$0.30 per Consideration Share whilst HK\$382,800,000 will be satisfied by way of issue of the Consideration Convertible Bonds in the principal amount of HK\$382,800,000 at the Conversion Price of HK\$0.30 per Conversion Share.

LETTER FROM GUANGDONG SECURITIES

The Consideration

The Consideration of HK\$892,800,000 is to be satisfied by the Company in the following manner:

- (i) HK\$510,000,000 will be satisfied by way of allotment and issue of the Consideration Shares; and
- (ii) HK\$382,800,000 will be satisfied by way of issue of the Consideration Convertible Bonds.

The Consideration was determined among the parties to the Sale & Purchase Agreement based on arm's length negotiations after taking into account, among other things, the historical financial position and performance of the Target Group's business, the future prospects of the Target Group, the price to earnings ratios of the other companies listed on the Stock Exchange engaging in similar business as the Target Group, the appraised value of the property interests of New JoySun Group and the benefits to be derived by the Group from the Acquisition. In this relation, the Directors also advised us that given that, as aforementioned, (i) Xiangshan Lisi Department Store only accounted for approximately 4% revenue of the Target Group during the three years ended 31 December 2012 and had minimal contribution to the Target Group's profit; and (ii) the Company has no current intention to further lease out any other department store and/or supermarkets of the Target Group after completion of the Acquisition and the Directors are of the view that the Lease will not be material to the Target Group and the Enlarged Group's business in short term, the Lease has no significant impact on the basis of the Consideration. We concur with the Directors based on the above reason and representations.

As also referred to in the Board Letter, as at the date of the Announcement, New JoySun Supermarket Chain comprised 37 supermarkets. Thereafter, one supermarket ceased operation and the number of supermarkets was adjusted to 36. The change in the number of supermarkets was caused by closure of a supermarket, which is an ordinary and normal commercial activity of the Target Group and a strategic decision to better reallocate resources in order to allow the Target Group to focus on those supermarkets with greater potential for development and attracting consumers. The Directors are of the view that acquisition of the remaining 36 supermarkets in the supermarket chain is in the best interest of the Group after having considered the financial performance and other business strategic factors such as geographical locations, public flow, and potential for future development, etc. of those 36 supermarket. The management team of the Company expects that the supermarket chain of the Target Group will continue to expand and the number of supermarkets will increase in the long run. The closed supermarkets had suffered from some losses since its establishment in 2012 and was insignificant to the overall financial performance of the Target Group. Based on the aforesaid, the Directors are of the view that the closure of the said supermarket has no material impact on the Acquisition and thus no adjustment was made to the Consideration of HK\$892,800,000.

Trading multiples analysis for the Acquisition

In order to assess the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis which includes the price to earnings ratio ("PER") and the price to book ratio ("PBR"). We have searched for companies listed on the Stock Exchange engaging in similar

LETTER FROM GUANGDONG SECURITIES

lines of the business as the Target Group, i.e. the retail operation of chained supermarkets, and deriving more than 50% of its turnover from such business (the “**Supermarket Comparables**”), for comparison purpose. To the best of our knowledge and as far as we are aware of, there are five companies which met the aforesaid criteria and are fair and representative. It should be noted that the businesses, operations and prospects of the Target Group are not exactly the same as the Supermarket Comparables.

Set out below are the PERs and the PBRs of the Supermarket Comparables based on their closing prices as at 4 March 2013, being the Last Trading Day, and their latest published financial information:

Company name (stock code)	Principal business	Year end date	PER (times)	PBR (times)
C.P. Lotus Corporation (121)	Operation of large scale one-stop shopping centres, Lotus Supercenters.	31/12/2012	N/A (Note 1)	0.88
Lianhua Supermarket Holdings Company Limited (980) (Note 2)	Operation of chain stores including supermarkets, hypermarkets and convenient stores.	31/12/2012	14.10	1.69
Wumart Stores, Inc. (1025) (Note 2)	Operation and management of retail chains of superstores and mini-marts.	31/12/2012	24.10	4.15
Springland International Holdings Limited (1700)	Operate dual-format retail chain in the Greater Yangtze River Delta, operating both department stores and supermarkets.	31/12/2012	13.82	1.93
Sun Art Retail Group Limited (6808)	Operation of hypermarket in the PRC.	31/12/2012	32.32	4.72
Maximum			32.32	4.72
Minimum			13.82	0.88
Average			21.09	2.67
The Consideration			17.83	1.68

Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. C.P. Lotus Corporation recorded a loss for its financial year ended 31 December 2012.
2. The PERs and PBRs for the selected companies were calculated based on the numbers of H shares and domestic shares/foreign shares (as the case may be) of the relevant companies as at the Last Trading Day.

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As demonstrated by the above table, the PERs of the Supermarket Comparables ranged from approximately 13.82 times to approximately 32.32 times, with an average of approximately 21.09 times.

Given that the profit of the Target Group for the year ended 31 December 2012 was approximately RMB40.38 million (equivalent to approximately HK\$50.07 million), the implied PER of the Consideration is approximately 17.83 times. As such, the implied PER of the Consideration falls within the PER range of the Supermarket Comparables and is lower than the average PER of the Supermarket Comparables.

We also noticed that the PBRs of the Supermarket Comparables ranged from approximately 0.88 times to approximately 4.72 times, with an average of approximately 2.67 times.

Given that the net asset value of the Target Group as at 31 December 2012 was approximately RMB428.28 million (equivalent to approximately HK\$531.07 million), the implied PBR of the Consideration is approximately 1.68 times. As such, the implied PBR of the Consideration also falls within the PBR range of the Supermarket Comparables and is lower than the average PBR of the Supermarket Comparables.

Based on the results of the above trading multiples analysis, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Consideration Shares

As confirmed by the Directors, the Issue Price of HK\$0.30 was determined based on arm's length negotiations among the parties to the Sale & Purchase Agreement by reference to the prevailing market prices of the Shares as illustrated below. The Issue Price represents:

- (i) a discount of approximately 24.05% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 6.25% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 1.64% to the average closing price of HK\$0.305 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 5.06% to the average closing price of HK\$0.316 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 188.46% over the consolidated net asset value of the Group of approximately HK\$0.104 per Share as at 30 September 2012 (based on the unaudited consolidated net asset value of the Group of approximately RMB207,767,000 (equivalent to approximately HK\$257,631,080) as at 30 September 2012 and 2,476,963,794 issued Shares as at the Latest Practicable Date).

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The Consideration Shares will be allotted and issued by the Company under the Specific Mandate and will rank *pari passu* with the Shares in issue on the date of allotment and issue, including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue.

(a) Analysis on historical Share price movement

Set out below is a table showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange from 1 March 2012 up to and including the Last Trading Day (the “**Review Period**”):

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2012				
March	0.400	0.360	0.376	22
April	0.370	0.330	0.351	18
May	0.330	0.270	0.303	22
June	0.300	0.255	0.276	21
July	0.335	0.300	0.315	21
August	0.330	0.280	0.294	23
September	0.285	0.225	0.252	20
October	0.310	0.207	0.237	20
November	0.330	0.280	0.298	22
December	0.330	0.290	0.318	19
2013				
January	0.350	0.315	0.323	22
February	0.345	0.300	0.321	17
March (up to and including the Last Trading Day)	0.320	0.305	0.313	2

Source: the Stock Exchange website (www.hkex.com.hk)

As shown by the above table, the daily closing prices of the Shares ranged from HK\$0.207 per Share to HK\$0.400 per Share during the Review Period. We further noted that the price movement of the Shares had been rather unstable, with intervals of short term up and down movements. The Issue Price was within the daily closing price range of the Shares during the Review Period, and had been equivalent to and/or above the closing prices of the Shares in 118 trading days out of the total 249 trading days within the entire Review Period, representing almost half of the Review Period.

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(b) Market comparables for the Consideration Shares

In order to further assess the fairness and reasonableness of the Issue Price, we have identified, to the best of our knowledge and as far as we are aware of, nine recent transactions in relation to acquisitions by listed companies in Hong Kong involving the issue of shares as all or part of the consideration, from 1 January 2013 to the Last Trading Day (the “**Share Comparables**”). We are of the view that the stock market conditions and sentiments are the crucial factors to consider in the issue of shares and we noted that the stock market conditions and sentiments are ever-changing. We have thus identified the Share Comparables which took place from 1 January 2013 to the Last Trading Day, being the recent period around the time the Acquisition was proposed, for comparison purpose. Although none of the Share Comparables involved the acquisition of retail operation of chained supermarkets, we are of the view that since the terms of the Share Comparables were determined under similar market conditions and sentiments as the Acquisition, the Share Comparables may reflect the recent trend of acquisitions involving the issue of shares as all or part of the consideration in the market and therefore we consider the Share Comparables to be fair and representative samples. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Share Comparables.

The table below summarises our relevant findings:

Date of announcement	Company name	Stock code	Premium/(Discount) of issue price over/(to) closing price per share on the last trading day prior to/the date of announcement/agreement in relation to the respective acquisitions %
25 January 2013	Neo Telemedia Limited	8167	(7.70)
23 January 2013	Newtree Group Holdings Limited	1323	(18.81)
22 January 2013	Shenzhen Investment Limited	604	9.10
18 January 2013	Goldpoly New Energy Holdings Limited	686	(21.26)
17 January 2013	Huafeng Group Holdings Limited	364	(29.28)
17 January 2013	China Gogreen Assets Investment Limited	397	(3.03)
15 January 2013	China Digital Licensing (Group) Limited	8175	(34.69)
11 January 2013	China Digital Licensing (Group) Limited	8175	(19.64)
7 January 2013	Neo Telemedia Limited	8167	(10.00)
Maximum			9.10
Minimum			(34.69)
Average			(15.03)
5 March 2013	The Company	526	(6.25)

Source: the Stock Exchange website (www.hkex.com.hk)

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As shown by the above table, the issue prices of consideration shares of the Share Comparables ranged from a discount of approximately 34.69% to a premium of approximately 9.10% to/over the respective closing prices of their shares on the last trading day prior to/the date of announcement/agreement in relation to the respective acquisitions. Moreover, it is not uncommon that the issue prices of consideration shares were set at relatively deep discounts to the respective closing prices of their shares when the relevant acquisitions were entered into. The Issue Price, which represents a discount of approximately 6.25% to the closing price of the Shares on the Last Trading Day, is hence within the aforementioned market range.

In view of the results of our analysis on historical Share price movement and the market comparison for the Consideration Shares as presented above, together with the fact that the Issue Price represents premium over the latest book value of the Group, we are of the opinion that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

The Consideration Convertible Bonds

The Directors confirmed that the terms and conditions of the Consideration Convertible Bonds were determined among the parties to the Sale & Purchase Agreement based on arm's length negotiations. The principal terms of the Consideration Convertible Bonds are summarised as follows:

Issuer:	The Company
Bondholder:	Shi Hui (and/or its nominees as it may direct)
Aggregate principal amount:	HK\$382,800,000
Interest:	3%
Maturity date:	The maturity date of the Consideration Convertible Bonds will be the third anniversary of the issue date thereof.
Conversion Price:	The Conversion Price was determined based on arm's length negotiations among the parties to the Sale & Purchase Agreement by reference to the prevailing market prices of the Shares. Since the Conversion Price is equivalent to the Issue Price, please refer to the sub-section headed "The Consideration Shares" above for a comparison of the Conversion Price with the prevailing market prices and the consolidated net asset value of the Group as at 30 September 2012.

The detailed terms of the Consideration Convertible Bonds are set out under the sub-section headed "The Sale & Purchase Agreement" of the section headed "Part A – The Acquisition" of the Board Letter.

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Market comparables for the Consideration Convertible Bonds

In order to further assess the fairness and reasonableness of the Conversion Price, we have identified, to the best of our knowledge and as far as we are aware of, nine recent transactions in relation to acquisitions by listed companies in Hong Kong involving the issue of convertible bonds/notes as all or part of the consideration, from 1 January 2013 to the Last Trading Day (the “**CB Comparables**”). We are of the view that the stock market conditions and sentiments are the crucial factors to consider in the issue of convertible bonds/notes and we noted that the stock market conditions and sentiments are ever-changing. We have thus identified the CB Comparables which took place from 1 January 2013 to the Last Trading Day, being the recent period around the time the Acquisition was proposed, for comparison purpose. Although none of the CB Comparables involved the acquisition of retail operation of chained supermarkets, we are of the view that since the terms of the CB Comparables were determined under similar market conditions and sentiments as the Acquisition, the CB Comparables may reflect the recent trend of acquisitions involving the issue of convertible bonds/notes as all or part of the consideration in the market and therefore we consider the CB Comparables to be fair and representative samples. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables.

The table below summarises our relevant findings:

Company name	Stock code	Date of announcement	Premium/(Discount) of conversion price over/(to) closing price per share on the last trading day prior to/the date of announcement/agreement in relation to the respective acquisitions %	Annual interest rate %
New Times Energy Corporation Limited	166	6 February 2013	1.03	Nil
Greenfield Chemical Holdings Limited	582	24 January 2013	(17.05)	Nil
New Times Energy Corporation Limited	166	22 January 2013	1.01	Nil
Goldpoly New Energy Holdings Limited	686	18 January 2013	(21.26)	Nil
Huafeng Group Holdings Limited	364	17 January 2013	(29.28)	4.00
Huafeng Group Holdings Limited	364	17 January 2013	(29.28)	Nil
Kingwell Group Limited	1195	11 January 2013	(24.24)	1.00
Neo Telemedia Limited	8167	7 January 2013	212.50	7.00
Bestway International Holdings Limited	718	7 January 2013	17.65	Nil
Maximum			212.50	7.00
Minimum			(29.28)	Nil
Average			12.34	1.33
The Company	526	5 March 2013	(6.25)	3.00

Source: the Stock Exchange website (www.hkex.com.hk)

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As shown by the above table, the conversion prices of the CB Comparables ranged from a discount of approximately 29.28% to a premium of approximately 212.50% (or 17.65% if Neo Telemedia Limited is excluded as this company is likely to be an outlier) to/over the respective closing prices of their shares on the last trading day prior to/the date of announcement/agreement in relation to the respective acquisitions. Moreover, it is not uncommon that the conversion prices of consideration convertible bonds/notes were set at relatively deep discounts to the respective closing prices of their shares when the relevant acquisitions were entered into. The Conversion Price, which represents a discount of approximately 6.25% to the closing price of the Shares on the Last Trading Day, is hence within the aforementioned market range.

As also shown by the above table, the CB Comparables (excluding Neo Telemedia Limited) carried annual interest rates of nil to 4%. The Consideration Convertible Bonds, which bear an annual interest of 3%, is hence within the said market range. In this relation, we further noted from the 2011/12 Annual Report that the ranges of effective interest rates on the Group's interest-bearing borrowings and trade finance loans were approximately 6.3% to 7.1% and 2.5% to 5.1%, respectively for the 2011/12 financial year. Thus, the interest rate of the Consideration Convertible Bonds is at the lower end of the interest rate range of the Group's borrowings in the prior financial year.

In light of the analysis on historical Share price movement and the market comparison for the Consideration Convertible Bonds as presented above, together with the fact that the Conversion Price represents premium over the latest book value of the Group and that the interest rate of the Consideration Convertible Bonds is at the lower end of the interest rate range of the Group's borrowings in the prior financial year, we are of the opinion that the terms of the Consideration Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the public Shareholders

The following chart illustrates the effects of the allotment and issue of the Consideration Shares and the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and assuming full exercise of the conversion rights attaching to the Consideration Convertible Bonds at the Conversion Price (on the basis that no further Shares will be allotted and issued after the Latest Practicable Date and prior to completion of the Acquisition):

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Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares but before issue of any Conversion Shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming issue of maximum number of Conversion Shares – for illustration purpose only, as this would not happen given that there will not be sufficient public float)		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares to the extent that immediately after such conversion, there will be sufficient public float	
	Approximate % of the issued share		Approximate % of the issued share		Approximate % of the issued share		Approximate % of the issued share	
	No. of Shares	capital of the Company	No. of Shares	capital of the Company	No. of Shares	capital of the Company	No. of Shares	capital of the Company
Shi Hui	0	0	1,700,000,000	40.70	2,976,000,000	54.57	2,028,919,326	45.03
Big-Max	1,350,493,014	54.52	1,350,493,014	32.33	1,350,493,014	24.77	1,350,493,014	29.97
Sub-total for Mr. Li Li Xin and his associates	1,350,493,014	54.52	3,050,493,014	73.03	4,326,493,014	79.34	3,379,412,340	75.00
Public Shareholders	1,126,470,780	45.48	1,126,470,780	26.97	1,126,470,780	20.66	1,126,470,780	25.00
Total	2,476,963,794	100	4,176,963,794	100	5,452,963,794	100	4,505,883,120	100

As illustrated by the above chart, the shareholding interests of the public Shareholders in the Company would be diluted by a maximum of approximately 20.48 percent point after the allotment and issue of the Consideration Shares and the Conversion Shares upon conversion of the Consideration Convertible Bonds, provided that the Consideration Convertible Bonds may not be converted to the extent if such conversion would result in the Company’s non-compliance with the minimum public shareholding requirement as stipulated under Rule 8.08 of the Listing Rules. In this regard, as balanced by (i) the reasons for the Acquisition and the potential benefits of the Acquisition to the Group; and (ii) the terms of the Sale & Purchase Agreement (including the Consideration Shares and the Consideration Convertible Bonds) being fair and reasonable, we are of the view that the level of maximum dilution to the shareholding interests of the public Shareholders as just mentioned is acceptable.

Possible financial effects of the Acquisition

Immediately upon completion of the Acquisition, the Company will hold the entire issued share capital of Wealthy Honor which will in turn hold 95% of the issued share capital of New JoySun Via Treasure Time and Da Mei (Ningbo) Electrical Appliance. As such, the companies comprising the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group’s financial statements.

An unaudited pro-forma financial information of the Enlarged Group (the “**Pro-forma Information**”) is included in Appendix IV to the Circular.

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Effect on net asset value

As extracted from the 2012 Interim Report, the unaudited consolidated net asset value of the Group was approximately RMB207.77 million as at 30 September 2012. According to the Pro-forma Information, the unaudited consolidated net asset value of the Enlarged Group would be increased to approximately RMB837.62 million.

Effect on earnings

As extracted from the 2011/12 Annual Report, the audited profit for the year of the Group was approximately RMB9.92 million for the year ended 31 March 2012. According to the Pro-forma Information, the Enlarged Group would record profit of approximately RMB3.86 million as a result of the Acquisition.

Effect on gearing and working capital

The Group's gearing ratio (expressed as total liabilities over total assets) was approximately 62% as at 30 September 2012. From the Pro-forma Information, the total liabilities and total assets of the Group would become approximately RMB2,100.04 million and RMB2,937.66 million respectively. Consequently, the gearing ratio of the Enlarged Group would be increased to approximately 71%.

In addition, based on the 2012 Interim Report, the Group had bank balances and cash of approximately RMB11.53 million as at 30 September 2012. From the Pro-forma Information, the bank balances and cash of the Enlarged Group would become approximately RMB593.14 million.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon completion of the Acquisition.

RECOMMENDATION ON THE ACQUISITION

Having taken into account the above factors and reasons being also summarised below:

- (i) the potential benefits of the Acquisition as represented by the Directors;
- (ii) the positive historical financial performance of the Target Group;
- (iii) the prospects of the retail and wholesale industry in Ningbo;
- (iv) the fact that the Acquisition is in line with the Group's business strategy, amongst others, to step up its efforts to explore new business;
- (v) the rationale of not including the Excluded Department Stores and the Excluded Supermarket into the Target Group as represented by the Directors together with the Non-competition Deed;

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- (vi) the fact that the implied PER and PBR of the Consideration fall within the relevant ranges of the Supermarket Comparables;
- (vii) the fact that the Issue Price and the Conversion Price are within the daily closing price range of the Shares during the Review Period and the discount to the recent Share price as represented by the Issue price and the Conversion Price also falls within the relevant ranges of the Share Comparables and the CB Comparables;
- (viii) the fact that the interest rate of the Consideration Convertible Bonds is at the lower end of the interest rate range of the Group's borrowings in the prior financial year; and
- (ix) the overall possible financial effects of the Acquisition,

we are of the opinion that (i) the terms of the Sale & Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition, which is not conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Sale & Purchase Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

(B) THE CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Acquisition, since the New JoySun Group being part of the Target Group will become subsidiaries of the Company, the continuing and recurring transactions, including the transactions contemplated under the Leasing Framework Agreement and the Mutual Supply Framework Agreement between the New JoySun Group and the Lisi Group, will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Information on the Lisi Group

As advised by the Directors, Lisi Co is a limited liability company incorporated in the PRC and the Lisi Group is a conglomerate with diversified business including but not limited to retail and wholesale of goods, property development and manufacturing.

Reasons for the Continuing Connected Transactions

Prior to the Acquisition, members of the New JoySun Group and the Lisi Group have been engaging in various continuing and recurring transactions, including but not limited to leasing of properties and providing and procuring products to and from each other in their ordinary and usual course of business and based on arm's length commercial terms. Upon completion of the Acquisition, the New JoySun Group being part of the Target Group will become subsidiaries of the Company and such transactions between the New JoySun Group and the Lisi Group will become continuing connected transactions between the Enlarged Group and the Lisi Group.

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The Directors are of the view that the Continuing Connected Transactions will enable the Enlarged Group to maintain and expand the business relationship with the Lisi Group. In respect of the proposed leasing transactions between the Lisi Group (as landlord) and the New JoySun Group (as tenant) as contemplated under the Leasing Framework Agreement, the New JoySun Group has been leasing two premises from the Lisi Group prior to the date of the Sale & Purchase Agreement as the sites for the Tonglu and Jishigang stores under New JoySun Supermarket Chain. Most of the customers of these two stores are residents from communities situated in the geographical vicinity where the stores are located and these two stores have contributed positively to the turnover of the Target Group since they commenced operations. After considering various factors including the location and rent of these two premises, the Company considers that the continuing lease of such premises from the Lisi Group would benefit the retail operations and business of the Target Group. On the other hand, the New JoySun Group proposes to lease certain designated areas in New JoySun department store to the Lisi Group for sales of books and magazines. New JoySun, being a PRC sino-foreign enterprise, is restricted from selling books and magazines in the PRC. The Company considers that the inclusion of a books and magazines corner in New JoySun department store would enrich the range of merchandise therein which would in turn attract more customers. In respect of the transactions contemplated under the Mutual Supply Framework Agreement, the Enlarged Group will also be able to acquire prompt and stable supply of products from the Lisi Group, thus lowering the operation risks and costs and facilitating the Enlarged Group's routine management on its business operations.

Having considered the above reasons for and potential benefits of the Continuing Connected Transactions as represented by the Directors, we concur with the Company that the Continuing Connected Transactions, which are conducted in the ordinary and usual course of business of the Enlarged Group, are in the interests of the Company and the Shareholders as a whole.

Principal terms of the Leasing Framework Agreement and the Mutual Supply Framework Agreement

The tables below summarise the major terms of each of the Leasing Framework Agreement and the Mutual Supply Framework Agreement as extracted from the section headed "Part C – Proposed Continuing Connected Transactions" of the Board Letter:

The Leasing Framework Agreement

Date:	5 March 2013
Parties:	New JoySun (for itself and on behalf of its subsidiaries); and Lisi Co (for itself and on behalf of its subsidiaries)
Term:	From 5 March 2013 to 31 December 2015

Upon expiry, the Leasing Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

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Leasing of premises:

Pursuant to the Leasing Framework Agreement, it was agreed, inter alia, that members of the New JoySun Group may lease various premises from members of the Lisi Group, and reciprocally, members of the Lisi Group may lease various premises from members of the New JoySun Group.

Each of New JoySun and Lisi Co will procure its subsidiaries respectively to enter into individual lease agreements in respect of the certain premises in the PRC during the term thereof and on terms which are in line with the terms of the Leasing Framework Agreement. The individual lease agreement will set out specific terms of the leases, including but not limited to particulars of the premises, rental and other fees payable and the payment terms thereof.

Pursuant to the terms of the Leasing Framework Agreement, the terms and conditions of each individual lease agreement will be negotiated on an arm's length basis among the contracting parties and on normal commercial terms or terms no less favourable to the New JoySun Group than terms available to or from (as appropriate) independent third parties for leasing similar properties.

The rent should be determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market rent of similar properties in the relevant area from time to time. In this regard, the Directors advised us that the future agreed rent would be supported by independent valuations and/or quotations.

Upon our enquiry with the Directors, we noted that as at the Latest Practicable Date, no individual lease agreement had been entered into, nor was there any draft of such individual lease agreement for the future leasing transactions.

Given that it is set forth under the Leasing Framework Agreement that (i) the terms and conditions of each individual lease agreement will be negotiated on an arm's length basis among the contracting parties and on normal commercial terms or terms no less favourable to the New JoySun Group than terms available to or from (as appropriate) independent third parties for leasing similar properties; and (ii) the rent should be determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market rent of similar properties in the relevant area from time to time, we concur with the Company that the terms of the Leasing Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the future leasing transactions between members of the Lisi Group and members of the New JoySun Group under the Leasing Framework Agreement would likely to be governed under terms which are fair and reasonable.

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The Mutual Supply Framework Agreement

Date:	5 March 2013
Parties:	New JoySun (for itself and on behalf of its subsidiaries); and Lisi Co (for itself and on behalf of its subsidiaries)
Term:	From 5 March 2013 to 31 December 2015

Upon expiry, the Mutual Supply Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

Mutual supply of products: Pursuant to the Mutual Supply Framework Agreement, New JoySun agreed to procure its subsidiaries to supply to members of the Lisi Group certain products which can be divided into the following three categories:

- (i) electrical appliance products, for use in the Lisi Group's property development projects;
- (ii) Chinese liquor, wine and other food and beverage products; and
- (iii) fresh food, daily necessities, groceries, sanitary products and other domestic products for the Excluded Supermarket.

In return, Lisi Co agreed to procure its subsidiaries to supply to members of the New JoySun Group certain household products.

The parties will enter into individual supply contracts to set out specific terms of supply, including but not limited to the products to be supplied, price, payment terms and terms of delivery. Such terms will be consistent with the principles and the terms of the Mutual Supply Framework Agreement. If there is any conflict between the terms of an individual supply contract and the Mutual Supply Framework Agreement, the latter shall prevail.

The terms of the individual supply contracts including unit price of the products and payment terms shall be determined and negotiated based on normal commercial terms and with reference to the prevailing fair market prices of comparable products, and such terms shall be no less favourable than those offered to or from members of the New JoySun Group by or to independent third parties. In this regard, the Directors advised us that independent quotations or market research would be obtained/conducted when those individual supply contracts are to be signed.

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Upon our enquiry with the Directors, we noted that as at the Latest Practicable Date, no individual supply contract had been entered into, nor was there any draft of such individual supply contract for the future trading transactions.

Given that it is set forth under the Mutual Supply Framework Agreement that the terms of the individual supply contracts including unit price of the products and payment terms shall be determined and negotiated based on normal commercial terms and with reference to the prevailing fair market prices of comparable products, and such terms shall be no less favourable than those offered to or from members of the New JoySun Group by or to independent third parties, we concur with the Company that the terms of the Mutual Supply Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the future trading transactions between members of the Lisi Group and members of the New JoySun Group under the Mutual Supply Framework Agreement would likely to be governed under terms which are fair and reasonable.

The proposed annual caps

(i) The historical transaction value for the three years ended 31 December 2012; and (ii) the proposed annual caps (the “**Proposed Annual Caps**”) for the three years ending 31 December 2015 for the Continuing Connected Transactions are as follows:

	Historical transaction value			Proposed Annual Caps		
	Year ended 31 December			Year ending 31 December		
	2010	2011	2012	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>The Leasing Framework Agreement</i>						
Leasing transactions between members of the Lisi Group (as landlord) and members of the New JoySun Group (as tenant)	375,000	500,000	750,000	750,000	750,000	750,000
Leasing transactions between members of the New JoySun Group (as landlord) and members of the Lisi Group (as tenant)	Nil	Nil	Nil	1,800,000	1,800,000	1,800,000
Total	375,000	500,000	750,000	2,550,000	2,550,000	2,550,000

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	Historical transaction value			Proposed Annual Caps		
	Year ended 31 December			Year ending 31 December		
	2010	2011	2012	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>The Mutual Supply Framework Agreement</i>						
Supply of products from the New JoySun Group to the Lisi Group						
(i) electrical appliance products	Nil	Nil	3,000,000	28,000,000	44,000,000	57,000,000
(ii) food and beverage products	Nil	2,350,000	2,619,000	3,000,000	3,500,000	4,100,000
(iii) daily necessities for the Excluded Supermarket	Nil	5,920,000	5,423,000	10,000,000	15,000,000	20,000,000
Total	Nil	8,270,000	11,042,000	41,000,000	62,500,000	81,100,000
Supply of products from the Lisi Group to the New JoySun Group						
- household products	Nil	Nil	7,588,000	15,000,000	25,000,000	35,000,000
Total	Nil	Nil	7,588,000	15,000,000	25,000,000	35,000,000

To assess the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Directors regarding the bases and assumptions underlying the Proposed Annual Caps.

(a) The Lisi Leasing Caps and the New JoySun Leasing Caps

As advised by the Directors, the proposed annual caps for the leasing transactions between members of the Lisi Group (as landlord) and members of the New JoySun Group (as tenant) (the “**Lisi Leasing Caps**”) were determined after arm’s length negotiations between the parties, by reference to (i) the historical transaction value for similar leasing transactions between members of the Lisi Group (as landlord) and members of the New JoySun Group (as tenant); and (ii) the current market rate of similar transactions.

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As disclosed in the section headed “Reasons for the Continuing Connected Transactions” above, the New JoySun Group has been leasing two premises from the Lisi Group prior to the date of the Sale & Purchase Agreement as the sites for the Tonglu and Jishigang stores under New JoySun Supermarket Chain. With regard to the leasing plan (i.e. the continuing lease of such premises), we have requested for and obtained from the Company details (including the site area and location of the premises, and the expected annual rent) with regard to the Tonglu and Jishigang stores under New JoySun Supermarket Chain, being the intended leases between the New JoySun Group (as tenant) and the Lisi Group (as landlord) under the Leasing Framework Agreement. We consider the Lisi Leasing Caps to be in line with the aforesaid leasing plan. For our due diligence purpose, we have further obtained the current market rentals of the nearby properties for similar usage and discussed with the Valuer with regard to the property market condition in the relevant area. We noted that the current market rentals of the nearby properties for similar usage are higher than the expected rentals for the Tonglu and Jishigang stores under New JoySun Supermarket Chain.

As also advised by the Directors, the proposed annual caps for the leasing transactions between members of the New JoySun Group (as landlord) and members of the Lisi Group (as tenant) (the “**New JoySun Leasing Caps**”) were determined after arm’s length negotiations between the parties by reference to the current market rate of similar transactions.

As disclosed in the section headed “Reasons for the Continuing Connected Transactions” above, the New JoySun Group proposes to lease certain designated areas in New JoySun department store to the Lisi Group for sales of books and magazines. With regard to such leasing plan, we have requested for and obtained from the Company details (including the site area and location of the premises, and the expected annual rent) with regard to the designated areas in New JoySun department store for sales of books and magazines, being the intended lease between the New JoySun Group (as landlord) and the Lisi Group (as tenant) under the Leasing Framework Agreement. We consider the New JoySun Leasing Caps to be in line with the aforesaid leasing plan. For our due diligence purpose, we have further obtained the current market rentals of the nearby properties of similar usage and discussed with the Valuer with regard to the property market condition in the relevant area. We noted that the current market rentals of the nearby properties for similar usage are comparable to the expected rentals for the book shop in New JoySun department store.

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(b) The New JoySun Supply Caps and the Lisi Supply Caps

As advised by the Directors, the proposed annual caps for the supply of products from the New JoySun Group to the Lisi Group (the “**New JoySun Supply Caps**”) and for the supply of products from the Lisi Group to the New JoySun Group (the “**Lisi Supply Caps**”) were determined after arm’s length negotiations between the parties, with reference to, among other things (i) the historical transaction value for similar transactions between the New JoySun Group and the Lisi Group; (ii) the price of comparable products sold to or purchased from independent third parties; and (iii) the expected growth in business between the New JoySun Group and the Lisi Group.

With regard to the New JoySun Supply Caps, we have obtained from and discussed with the Directors regarding (i) the expected demand for electrical appliance products from the Lisi Group based on the estimated completion schedules of the property development projects of the Lisi Group during 2013 and 2014 as well as the expected demand for the electrical appliance products of each of such property development projects; (ii) the expected demand for food and beverage products (in particular, wine/liquor of certain local brands of which the New JoySun Group is the agent in Ningbo) from the Lisi Group based on the relevant historical transaction value with a modest increase in the transaction value given the intended usage of such food and beverage products by the Lisi Group; and (iii) the expected demand for daily necessities from the Excluded Supermarket based on the estimated growth in business transactions between the New JoySun Group and the Excluded Supermarket as the Directors expected that the department store and supermarket industries in the PRC will continue to expand in the coming years, the expected modest increase in product prices reflecting the inflation, as well as the anticipated enlargement in product mix. In particular, we noted that the New JoySun Supply Caps for electrical appliance products constitute the largest portion of the New JoySun Supply Caps. During our aforesaid discussion with the Directors, we understand that the relevant annual caps were determined based on the indication from the Lisi Group regarding the expected demand for electrical appliance products from the Lisi Group. The electrical appliance products comprise principally air-conditioning equipments to be installed in the property development projects of the Lisi Group. The New JoySun Supply Caps for electrical appliance products were determined with reference to the estimated completion schedules of those property development projects of the Lisi Group during 2013 and 2014 as well as the expected demand for electrical appliance products of each of such property development projects.

As for the Lisi Supply Caps, we were advised by the Directors that the household products to be supplied by the Lisi Group to the New JoySun Group are mainly imported from overseas, the demand for which is expected to increase for the three years ending 31 December 2015. The Directors further advised us that when setting the Lisi Supply Caps, they have also taken into account of the anticipated enlargement in product mix and increase in product prices, and the new opening of supermarkets of the New JoySun Group in the coming few years. For our due diligence purpose, we have independently researched over the internet and we noticed that a retailer of imported household products in the PRC has expressed to a mainland newspaper in December 2012 that its business growth maintained at an average annual growth rate of over 50% for the past 16 years. We have also reviewed various relevant statistics regarding imports of various commodities in the PRC from 2009 to 2011 published by the National Bureau of Statistics of China showing

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that there has been strong demand for imported household products in the PRC and we thus concur with the Directors that the demand for such products will continue to increase in the upcoming future. Furthermore, the Directors expected that the department store and supermarket industries in the PRC will continue to expand in the coming years due to the large population which forms a solid customer base for distribution of consumer goods. The Target Group expects to enlarge the mix of imported products especially in food and beverage such as baby food, health food and wine/liquor, the demand for which has been increasing in the east PRC market where the Target Group is operating. The Target Group also expects that the product prices will increase, thereby reflecting the price change of those products in the global market and the possible future inflation. The Target Group plans to build the retail network of the New JoySun Group by expanding and penetrating further in the second and third tier cities in the east PRC market.

Given all of the foregoing bases and assumptions underlying the Proposed Annual Caps, as well as the prospects of the retail and wholesale industry in Ningbo as set forth under the subsection headed "Industry overview" above, we consider that the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Proposed Annual Caps are related to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2015, they do not represent forecasts of revenue, purchase or rental income/costs to be generated/incurred from the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual revenue, purchase or rental income/costs to be generated/incurred under the Continuing Connected Transactions will correspond with the Proposed Annual Caps.

Listing Rules implication and internal control of the Group

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transactions must be restricted by the Proposed Annual Caps for the three years ending 31 December 2015; (ii) the respective terms of the Leasing Framework Agreement (including the Lisi Leasing Caps and the New JoySun Leasing Caps) and the Mutual Supply Framework Agreement (including the New JoySun Supply Caps and the Lisi Supply Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the respective terms of the Leasing Framework Agreement (including the Lisi Leasing Caps and the New JoySun Leasing Caps) and the Mutual Supply Framework Agreement (including the New JoySun Supply Caps and the Lisi Supply Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the Continuing Connected Transactions are carried out in accordance with the relevant agreements governing the transactions, and the Proposed Annual Caps are not being exceeded. In the event that the total values of the Continuing Connected Transactions exceed the Proposed Annual Caps, or that there is any material amendment to the terms of the Leasing Framework Agreement and/or the Mutual Supply Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions (including the Proposed Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION ON THE CONTINUING CONNECTED TRANSACTIONS

Having taken into account the above factors and reasons, we are of the opinion that (i) the respective terms of the Leasing Framework Agreement (including the Lisi Leasing Caps and the New JoySun Leasing Caps) and the Mutual Supply Framework Agreement (including the New JoySun Supply Caps and the Lisi Supply Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions, which are conducted in the ordinary and usual course of business of the Enlarged Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Continuing Connected Transactions (including the Proposed Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 March 2012 and for the six months ended 30 September 2012 are disclosed in the Company's annual reports for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 and interim report for the six months ended 30 September 2012, respectively, which are incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the Company's website at www.lisigroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The following is a quick link to the 2010 annual report of the Company published on 22 July 2010 with its audited consolidated financial statements for the year ended 31 March 2010 on pages 17 to 59:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2010/0722/LTN20100722490.pdf>

The following is a quick link to the 2011 annual report of the Company published on 20 July 2011 with its audited consolidated financial statements for the year ended 31 March 2011 on pages 19 to 75:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0720/LTN20110720544.pdf>

The following is a quick link to the 2012 annual report of the Company published on 27 July 2012 with its audited consolidated financial statements for the year ended 31 March 2012 on pages 19 to 78:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0727/LTN20120727285.pdf>

The following is a quick link to the 2012/2013 interim report of the Company published on 24 December 2012 with its unaudited condensed consolidated financial statements for the six months ended 30 September 2012 on pages 1 to 16:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/1224/LTN20121224167.pdf>

2. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account the financial resources available to the Enlarged Group including but not limited to its internally generated funds, cash and cash equivalents on hand, available facilities from banks and related companies, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

3. STATEMENT OF INDEBTEDNESS

The Group

Borrowings

At the close of business on 31 March 2013, being the Latest Practicable Date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding secured bank borrowings of approximately RMB155,000,000. In addition, on 31 March 2013, the Group had aggregate outstanding other unsecured borrowings due to a shareholder, related companies and a third party of approximately RMB86,597,000.

The secured bank borrowings were secured by the Group's leasehold land and buildings with an aggregate carrying amount of approximately RMB153,973,000 and corporate guarantee of related companies under the control of Mr. Li Li Xin, a controlling Shareholder.

Contingent liabilities

At the close of business on 31 March 2013, the Directors considered there were no material contingent liabilities for the Group.

The Target Group

Borrowings

At the close of business on 31 March 2013, being the Latest Practicable Date for the purpose of this statement of indebtedness prior to the printing of this circular, the Target Group had aggregate outstanding secured bank borrowings of approximately RMB754,335,000. In addition, on 31 March 2013, the Target Group had aggregate outstanding other unsecured borrowings due to related companies under the control of Mr. Li Li Xin, a controlling Shareholder* of approximately RMB977,274,000.

The secured bank borrowings were secured by the Target Group's leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB478,793,000 and bills receivables with an aggregate carrying amount of RMB75,000,000.

* Pursuant to the Sales & Purchase Agreement, the controlling Shareholders have undertaken to the Company that all amounts receivables and/or payables between members of the Target Group and connected persons of the Company are settled in full on the date of completion of the Acquisition.

Contingent liabilities

At the close of business on 31 March 2013, the Target Group had contingent liabilities in respect of guarantee of approximately RMB126,000,000 given for bank loans drawn by related companies under the control of Mr. Li Li Xin, a controlling Shareholder. Such guarantee will be released prior to completion of the Acquisition.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or guarantees or other material contingent liabilities as at 31 March 2013.

4. MATERIAL ADVERSE CHANGE

On 30 November 2012, the Company announced that for the six months ended 30 September 2012, the Company recorded an unaudited consolidated loss attributable to equity holders of the Company of RMB4,206,000, compared to a net profit of RMB5,915,000 for the six months ended 30 September 2011. The loss for the period was mainly caused by the planned termination of the Group's manufacturing facilities in Shenzhen and the subsequent relocation to Ningbo. The relocation had created certain disruption in the normal production schedule and product delivery, some loss in orders from customers, as well as higher administrative expenses.

Save for the above, the Directors are not aware, as at the Latest Practicable Date, of any material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis extracted from the interim report and the annual reports of the Group for the six months ended 30 September 2012 and the financial years ended 31 March 2010, 2011 and 2012, respectively, and as modified as appropriate:

(a) Management discussion and analysis for the six months ended 30 September 2012*Business review and outlook*

For the six months ended 30 September 2012, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the six months ended 30 September 2012, the Group recorded a turnover of approximately RMB183,326,000, representing a decrease of 10.2% as compared with the turnover of approximately RMB204,083,000 for the last corresponding period. During the period ended 30 September 2012, the Group recorded a gross profit of RMB43,935,000, which were slightly lower than the gross profit of RMB46,649,000 in the last corresponding period.

Net loss for the six months ended 30 September 2012 was approximately RMB4,206,000, decreased by 171.1% compared to the net profit of RMB5,915,000 for the last corresponding period. The Group's basic and diluted earnings per Share was RMB0.17 cent.

The decrease in net profit was mainly attributable to the termination of the manufacturing facilities in Shenzhen plant and relocation to Ningbo City. This relocation had caused some disruption in the normal production scheduling and product delivery and some loss in orders from customers. The Directors had taken measures as far as possible to confine the short term negative impact of plant relocation to a manageable level. Besides, the Group had to absorb some one-off negative impact from higher administrative expenses due to this plant relocation including severance payment for terminated employees and relocation expenses.

As at 30 September 2012, the Group aimed to continue its cost control measures and business strategy of focusing on higher margin products and customers that had been improving the Group's the business and financial performance. The Group targeted to diversify new product lines to optimise the production capacity and to get hold of market opportunities. Lastly, the Group also planned to continue to explore potential businesses that have strong growth potential and good earnings which can contribute to a faster growth of the Group and provide better return to the Shareholders.

Comments on segment information

The Group's business operations were mainly divided into two reportable segments during the six months ended 30 September 2012, namely (1) manufacturing and trading business; and (2) investment holding business.

For the six months ended 30 September 2012, the revenue of the Group's manufacturing and trading business amounted to RMB183,369,000, representing a decrease of 8.95% from the last corresponding period.

For the six months ended 30 September 2012, the revenue of the Group's investment holding business amounted to RMB2,290,000 which was lower than the revenue of RMB4,580,000 in the last corresponding period.

Geographical segment information

North America remained the Group's primary market, which accounted for 68.8% of total revenue. The remaining comprised of revenue from Europe 8.8%, PRC 6.2%, Hong Kong 3.0% and others 13.2%.

Major customers and suppliers

The percentages of purchases and sales for the six months ended 30 September 2012 attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier 14.9%
- five largest suppliers 51.0%

Sales

- the largest customer 22.8%
- five largest customers 51.2%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

For the six months ended 30 September 2012, the Company had no change in its issued share capital.

As at 30 September 2012, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB92,000,000, other bank borrowings of RMB57,621,893 and due to and borrowings from a Shareholder, related companies and a third party totaling RMB83,912,174. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately RMB5,147,550 were made on fixed rate.

Financial resources and liquidity

As at 30 September 2012, the Group's net assets decreased to RMB207,767,000, rendering net asset value per Share at RMB8.39 cents. The Group's total assets at that date were valued at RMB544,419,000, including cash and bank deposits totaling approximately RMB11,530,000 which were dominated in RMB, HKD and USD. Consolidated bank borrowings and other borrowings amounted to RMB149,622,000 and RMB83.1 million respectively.

The Group's debt-to-equity ratio (bank and other borrowings over total equity) decreased from 117.6% as at 31 March 2012 to 112.4% as at 30 September 2012. The debt-to-equity ratio as at 30 September 2012 was calculated as follows:

	<i>RMB' 000</i> (Unaudited)
Other payables	
Due to related companies	77,577
Loan from a third party	5,148
Loan from a related company	–
Loan from/due to a Shareholder	1,187
Bank borrowings	149,622
Obligations under finance leases	32
	<hr/>
Total debts	233,566
	<hr/> <hr/>
Total equity	207,767
	<hr/> <hr/>
Debt-to-equity ratio	112.4%
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Finance costs

For the six months ended 30 September 2012, the Group recorded finance costs amounting to approximately RMB7,186,000, representing an increase of approximately RMB410,000 or 6.05% as compared with the last corresponding period.

Administrative and other operating expenses

For the six months ended 30 September 2012, the Group recorded administrative expenses amounting to approximately RMB30,325,000, representing an increase of approximately RMB 3,755,000 or 14.13% as compared with the last corresponding period.

Material investment in new business

During the six months ended 30 September 2012, the Group did not have any material investment activities.

Pledge of assets

The Group's leasehold land and buildings having a carrying value of RMB108.3 million as at 30 September 2012 (31 March 2012: RMB110.3 million) were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 30 September 2012, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company's assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group would generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 30 September 2012, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

Most of the Group business transactions were conducted in HKD, RMB and USD. As at 30 September 2012, the Group's borrowings were denominated in RMB and USD.

The Group considered the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of RMB. Given that RMB was not an international currency, there was no effective method to hedge the relevant risk for the size and cash flow pattern of the Group. However, as most of the Group's raw materials procurement were settled in USD and HKD, and most of the Group's customers accepted the passing-on of the rising costs, to various extent, due to the appreciation of RMB, the effect arising from the relevant risk could be reduced.

Employees and remuneration policy

As at 30 September 2012, the Group employed a workforce of 1,353 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the six months ended 30 September 2012.

(b) Management discussion and analysis of the year ended 31 March 2012

Business review and outlook

For the year ended 31 March 2012, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2012, the Group recorded a turnover of approximately RMB393,890,000, representing an increase of 2.5% as compared with the turnover of approximately RMB384,461,000 for the last corresponding period. During the year ended 31 March 2012, the Group recorded a gross profit of RMB96,459,000. Driven by increase in sales and contribution and improvement of cost management from the Group's factory in Ningbo City, the results were slightly improved as compared to the gross profit of RMB86,256,000 in the last corresponding period. Besides, the receipts of dividends with a total of RMB9,159,000 from the Group's newly acquired business were another good contributor to the income the Group.

Net profit for the year ended 31 March 2012 decreased by 5.2% to approximately RMB9,923,000, compared to a net profit of RMB10,467,000 for the last corresponding period. The Group's basic and diluted earnings per Share was RMB0.4 cent.

The slight decrease in net profit was mainly attributable to the price volatility of major raw materials in the global markets and the resultant rise of local production costs in the Group's PRC factories as a result of this volatility.

As at 31 March 2012, the Group aimed to continue its cost control measures and business strategy of focusing on higher margin products and customers that had been improving the Group's business and financial performance. The Group targeted to diversify new product lines to optimise the production capacity and to get hold of market opportunities. Lastly, the Group also planned to continue to explore potential businesses that have strong growth potential and good earnings which can contribute to a faster growth of the Group and provide better return to the Shareholders.

Comments on segment information

The Group's business operations were mainly divided into two reportable segments during the year ended 31 March 2012, namely (1) manufacturing and trading business; and (2) investment holding business. The investment holding business included a newly acquired business which was a good contributor to the income of the Group (details of which please refer to the sub-section headed "Material investment in new business under this section").

For the year ended 31 March 2012, the revenue of the Group's manufacturing and trading business amounted to RMB388,302,000, representing a slight increase of 0.36% from the last corresponding period.

For the year ended 31 March 2012, the revenue of the Group's investment holding business amounted to RMB9,159,000, being the dividend income received from a newly acquired business.

Geographical segment information

North America remained the Group's primary market, which accounted for approximately 71.1% of total revenue. The remaining revenue was derived from markets in Europe 7.9%, Hong Kong 4.7%, PRC 5.5%, Taiwan 2.1% and others 8.7%, respectively.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 March 2012 attributable to the Group's major suppliers and customers were as follows:

Purchases

- the largest supplier 10.0%
- five largest suppliers 31.4%

Sales

- the largest customer 26.2%
- five largest customers 57.5%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

For the year ended 31 March 2012, the Company had no change in its issued share capital.

As at 31 March 2012, the Group's major borrowings included a three-year term loan provided by the Bank of Communications, Shenzhen branch, which had an outstanding balance of RMB102,000,000, other bank borrowings of RMB65,035,000 and due to and borrowings from a Shareholder, related companies and a third party totaling RMB81,918,000. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately RMB5,204,000 were made on fixed rate.

Financial resources and liquidity

As at 31 March 2012, the Group's net assets increased to RMB211,654,000, rendering net asset value per Share at RMB8.5 cents. The Group's total assets at that date were valued at RMB544,914,000, including cash and bank deposits totaling approximately RMB11,073,000 which were dominated in RMB, HKD, USD and EUR. Consolidated bank borrowings and other borrowings amounted to RMB167,035,000 and RMB81.9 million respectively.

The Group's debt-to-equity ratio (bank and other borrowings over total equity) increased from 104.9% as at 31 March 2011 to 117.6% as at 31 March 2012. The debt-to-equity ratio as at 31 March 2012 was calculated as follows:

	<i>RMB' 000</i>
Other payables	
Due to related companies	35,583
Loan from a third party	5,148
Loan from a related company	40,000
Loan from/due to a Shareholder	1,187
Bank borrowings	167,035
Obligations under finance leases	56
	<hr/>
Total debts	249,009
	<hr/> <hr/>
Total equity	211,654
	<hr/> <hr/>
Debt-to-equity ratio	117.6%
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Finance costs

For the year ended 31 March 2012, the Group recorded finance costs amounting to approximately RMB14,378,000 representing an increase of approximately RMB4,365,000 or 43.59% as compared with the last corresponding period. Such increase was mainly due to increase in bank borrowings.

Administrative and other operating expenses

For the year ended 31 March 2012, the Group recorded administrative and other operating expenses amounting to approximately RMB56,995,000, representing an increase of approximately RMB7,912,000 or 16.12% as compared with the last corresponding period.

The increase in the administrative expenses was related to the planned relocation of the Group's manufacturing factory from Shenzhen to Ningbo City, which had a short-term negative impact on the Group's results of operations. Such increased administrative expenses included the additional provision of severance payments to employees in the Shenzhen plant (amounting to RMB6.8 million) and were already reflected in the books of the Group. The financial results for the year ended 31 March 2012 had already absorbed a significant portion of the short term hit from such higher expenses and additional provision.

Material investment in new business

Pursuant to the share transfer agreement and the capital increase agreement entered into between Ningbo Lisi Information Technology Ltd. (“Ningbo IT”), a wholly-owned subsidiary of the Company, and various independent third parties in October 2010 (details of which are set out in the sub-section headed “Material investment in new business” under the section headed “(c) Management dismissal and analysis of the year ended 31 March 2011” below), Ningbo IT’s equity interest in Veritas-MSI (China) Co., Ltd. (“VMCL”) increased to 22.35% on 29 November 2011 and subsequently increased to 24.76% upon completion of the said agreements on 26 April 2012. Thus, VMCL became an associate company of the Group. The core business of VMCL is engaged in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

The Group also made an investment in QL Electronics Co., Ltd. (“QLEC”). During the year ended 31 March 2012, the Group’s equity interest in QLEC was diluted slightly from 8.83% to 8.54% due to a share increase program in QLEC of which the sole purpose was to attract/retain senior executives who would be of the most crucial importance for the development of the company. This share increase program had support from all the shareholders of QLEC.

Pledge of assets

The Group’s leasehold land and buildings having a carrying value of RMB110.3 million as at 31 March 2012 (31 March 2011: RMB128.9 million) were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 31 March 2012, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company’s assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group would generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2012, the Company had no material contingent liabilities.

Change in functional currency

Prior to the year ended 31 March 2012, the Directors regarded the HKD as the functional currency of the Company. Upon the completion of the acquisition of a wholly-owned subsidiary group in Ningbo City, whose functional currency is the RMB in April 2010 and the restructuring of the Group’s operation in Shenzhen, in April 2011, the Directors considered that the primary economic environment had been substantially changed. Since then, the Company’s primary source of revenue has been derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the Directors determined that the change of the functional and presentation currencies of the Company from HKD to RMB starting from 1 April 2011. Such change of functional currency from HKD to RMB would help to minimise the impact of exchange gains/losses on the business results of the Group due to fluctuations of RMB.

Employees and remuneration policy

As at 31 March 2012, the Group employed a workforce of 1,463 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the year ended 31 March 2012.

(c) Management discussion and analysis of the year ended 31 March 2011

Business review and outlook

For the year ended 31 March 2011, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK\$457,691,000, representing an increase of 59.3% as compared with the turnover of HK\$287,224,000 for the last corresponding period. Net profit for the year ended 31 March 2011 increased by 43.8% to HK\$12,459,000, compared to a net profit of HK\$8,666,000 for the last corresponding period. The Group's basic earnings per Share was HK0.52 cent.

The completion of the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City on 30 April 2010 had contributed important immediate growth in the then existing household product business of the Group and further strengthened the leading role of the Company in the market. The synergies from larger customer base, increased production efficiency and more comprehensive range of household products was expected to further improve the financial performance of the Group.

During the year ended 31 March 2011, the Group completed acquisitions of new businesses, details of which are set out in the sub-section headed "Material investment in new business" under this section.

As at 31 March 2011, the Group aimed to continue its cost control measures and business strategy of focusing on higher margin products and customers that had successfully improved the Group's business and financial performance in previous years. The Group also aimed to step up its efforts to explore new businesses.

Comments on segment information

The Group's business operations were not divided into different reportable segments. The Group had only one operating segment of manufacturing and trading of household products. The manufacturing and trading business of the Group recorded a revenue of HK\$460,607,000 for the year ended 31 March 2011.

Geographical segment information

North America remained the Group's primary market, which accounted for 75.6% of total revenue. The remaining comprised of revenue from Europe 7.2%, Hong Kong 8.0% and others 9.2%, respectively.

Major customers and suppliers

The percentages of purchases and sales for the year ended 31 March 2011 attributable to the Group's major suppliers and customers were as follows:

Purchases

- the largest supplier 11.3%
- five largest suppliers 35.3%

Sales

- the largest customer 38.9%
- five largest customers 63.3%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

On 30 April 2010, the Company completed the share subscription and 937,500,000 Shares at the subscription price of HK\$0.16 per Share were issued and allotted to Big-Max, a substantial Shareholder, at a total cash consideration of HK\$150,000,000. As at 31 March 2011, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK\$140,477,000, other bank borrowings of HK\$29,217,000 and advance and borrowings from a Shareholder, related companies and a third party totalling HK\$84,646,000. All of the Group's borrowings had been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately HK\$6,460,000 were made on fixed rate.

Financial resources and liquidity

As at 31 March 2011, the Group's net assets increased to HK\$242,603,000, rendering net asset value per Share at HK9.8 cents. The Group's total assets at that date were valued at HK\$610,596,000, including cash and bank deposits totaling approximately HK\$17,371,000 which were dominated in RMB, HKD, USD and EUR. Consolidated bank borrowings amounted to HK\$169,694,000.

The Company had increased share capital during the year ended 31 March 2011 and its debt-to-equity ratio (bank and other borrowings over total equity) decreased from 215.1% as at 31 March 2010 to 104.9% as at 31 March 2011. The debt-to-equity ratio as at 31 March 2011 was calculated as follows:

	<i>HK\$' 000</i>
Other payables	
Due to related companies	28,646
Loan from a third party/a related party	6,355
Loan from a related company	47,619
Loan from/due to a Shareholder	2,026
Bank borrowings	169,694
Obligation under finance leases	105
	<hr/>
Total debts	254,445
	<hr/> <hr/>
Total equity	242,603
	<hr/> <hr/>
Debt-to-equity ratio	104.9%
	<hr/> <hr/>

Finance costs

For the year ended 31 March 2011, the Group recorded finance costs amounting to approximately HK\$11,921,000 representing an increase of approximately HK\$3,706,000 or 45.11% as compared with the last corresponding period. Such increase was mainly due to increase in bank borrowings and rise in the interest rate in the market.

Administrative and other operating expenses

For the year ended 31 March 2011, the Group recorded administrative and other operating expenses amounting to approximately HK\$58,433,000 representing an increase of approximately HK\$18,457,000 or 46.17% as compared with the last corresponding period.

Material investment in new business

On 30 April 2010, the Group completed the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City from Big-Max, a substantial Shareholder, for a consideration of HK\$90,000,000.

On 25 October 2010, Ningbo IT entered into the share transfer agreement and the capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, would have 24.76% interest in the registered capital of VMCL at a total consideration of RMB40,000,000. On 15 December 2010, the share transfer agreement was executed and 12.06% equity interest in VMCL was transferred to Ningbo IT. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

On 28 December 2010, Ningbo IT a wholly owned subsidiary of the Company, completed the acquisition of an aggregate of 8.826% equity interest in QLEC at an aggregate consideration of approximately RMB68,086,690. QLEC is one of the leading semiconductor suppliers in the PRC.

Pledge of Assets

The Group's leasehold land and buildings having a carrying value of HK\$153,435,000 as at 31 March 2011 (31 March 2010: HK\$164,944,000) were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 31 March 2011, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilisation of the Company's assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2011, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

The Group's monetary assets and liabilities were principally denominated in HKD, RMB and USD. As far as HKD remained pegged to the USD and the PRC government took prudent and gradual measures against the appreciation of RMB, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of RMB widely expected in the foreign exchange market. Given that RMB is not an international currency, there is no effective method to hedge.

Employees and remuneration policy

As at 31 March 2011, the Group employed a workforce of 2,038 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the year ended 31 March 2011.

(d) Management discussion and analysis of the year ended 31 March 2010

Business review and outlook

For the year ended 31 March 2010, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2010, the Group recorded a turnover of HK\$287,224,000, representing an increase of 14.1% compared to HK\$251,605,000 recorded in the last corresponding period. Profit for the year ended 31 March 2010 attributable to equity holders of the Company was HK\$8,666,000, compared to a loss of HK\$10,861,000 in the last corresponding year. The Group's basic earnings per Share was HK0.56 cent.

As at 31 March 2010, it was expected that the Group would face several major challenges in the industry, namely global economic crisis as well as Shareholders' expectations of improved bottom-line.

On 2 November 2009, the Company announced the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City from Big-Max for a consideration of HK\$90,000,000. The acquisition provided a golden opportunity for the Group to diversify its product lines into more comprehensive range of household products. It was expected that the Group would be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products.

As at 31 March 2010, the Group aimed to continue to instill cost efficacy and quality consciousness into all levels of staff through revised work organization and practice. Further, the Group also targeted to continue to monitor the sustainability of the then operating environment for a profitable operation, and take appropriate corresponding measures.

Comments on segment information

For the year ended 31 March 2010, the Group's business operations had only one operating segment of manufacturing and trading of household products.

Geographical segment information

North America remained the Group's primary market, which accounted for approximately 82.8% of total sales. The remaining comprised of sales to Europe 2.9%, Hong Kong 7.1%, PRC 0.1% and others 7.1%, respectively.

Major customers and suppliers

The percentages of purchases and sales for the year ended 31 March 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier 13%
- five largest suppliers 26%

Sales

- the largest customer 72%
- five largest customers 83%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

For the year ended 31 March 2010, the Company had no change in the issued share capital. As at 31 March 2010, the Group's major borrowings included a three-year term loan provided by a PRC bank which had an outstanding balance of approximately HK\$102,273,000, other bank borrowings of HK\$38,513,000 and advance and borrowings from a Shareholder and related companies totaling approximately HK\$27,173,000. All of the Group's borrowings had been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately HK\$6,495,000 were made on fixed rate.

Financial resources and liquidity

As at 31 March 2010, the Group's net assets increased to HK\$78,140,000, representing net asset value per Share at HK5.08 cents. The Group's total assets as at that date were valued at HK\$348,080,000, including cash and bank deposits totaling approximately HK\$12,412,000 which were dominated in RMB, HKD, USD and EUR. Consolidated borrowings amounted to HK\$168,000,000.

The Group's debt-to-equity ratio has been increased from 205.3% as at 31 March 2009 to 215.1% as at 31 March 2010. The debt-to-equity ratio as at 31 March 2010 was calculated as follow:

	<i>HK\$' 000</i>
Other payables	
Advance from related companies	6,818
Loan from a related company	6,355
Loans from a Shareholder	14,000
Bank borrowings	140,786
Obligations under finance leases	140
	<hr/>
Total debts	168,099
	<hr/> <hr/>
Total equity	78,140
	<hr/> <hr/>
Debt-to-equity ratio	215.1%
	<hr/> <hr/>

Finance costs

For the year ended 31 March 2010, the Group recorded finance costs of approximately HK\$8,215,000, representing a decrease of approximately HK\$4,378,000 or 34.77% as compared with the last corresponding period. Such decrease was mainly due to increase in number of employees and increase in salaries in line with market trend.

Administrative and other operating expenses

For the year ended 31 March 2010, the Group recorded administrative and other operating expenses amounting to approximately HK\$39,976,000, representing a decrease of approximately HK\$4,425,000 or 9.97% as compared with the last corresponding period. Such increase was mainly due to increase in number of employees and increase in salaries in line with market trend.

Material investment in new business

On 2 November 2009, the Company entered into the acquisition agreement in relation to the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City from Big-Max for a consideration of HK\$90,000,000. Other than that, the Group did not have material investment during the year ended 31 March 2010.

Pledge of assets

The Group's leasehold land and buildings having a carrying value of approximately HK\$164,944,000 as at 31 March 2010 (2009: HK\$168,163,000) were pledged to secure bank facilities for the Group.

Capital expenditure and commitments

As at 31 March 2010, the Group aimed to continue to allocate a reasonable amount of resources to acquisition and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group would generate and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2010, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

The Group's monetary assets and liabilities were principally denominated in HKD, RMB and USD. As far as the HKD remained pegged to the USD and the PRC government took prudent and gradual measures against the appreciation of RMB, the Group's exposure to currency exchange fluctuation risks would be in line with the movement of RMB. The Group monitored the fluctuation in RMB and adopted appropriate measures, if the need arises. Given that the RMB is not an international currency, there is no effective method to hedge the relevant risk for the size. However, as substantial proportion of the Group's raw materials procurement had been settled in USD and HKD, and most of the Group's customers accepted the passing-on of rising costs, to various extents, due to the appreciation of RMB, the effects arising from the relevant risks could be reduced significantly.

Employees and remuneration policy

As at 31 March 2010, the Group employed a workforce of 1,334 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees.

There was a share option scheme in force but no share option was granted during the year ended 31 March 2010. No bonus had been paid other than sums, each equivalent to one additional month's salary, paid to individual staff members in Hong Kong in December 2009 as part of an agreed salary package, which applied to most of the employees in the local market. A small amount of bonus had been paid to management staff in the factory in Shenzhen.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Wealthy Honor Holdings Limited's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

22 May 2013

The Directors
Lisi Group (Holdings) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Wealthy Honor Holdings Limited ("Wealthy Honor") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the combined statements of financial position of the Target Group as at 31 December 2010, 2011 and 2012, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group, for each of the years ended 31 December 2010, 2011 and 2012 (the "Track Record Period"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the shareholders' circular of Lisi Group (Holdings) Limited (the "Company") dated 22 May 2013 (the "Circular").

Wealthy Honor was incorporated in the British Virgin Islands on 7 November 2012 as a limited liability company under the British Virgin Islands Business Companies Act, 2004. Pursuant to a group reorganisation (the "Reorganisation") as mentioned in the section headed "Letter from the Board – Part B – Information of the Target Group" in the Circular, Wealthy Honor will become the holding company of the companies now comprising the Target Group, details of which are set out in Section B Note 1(b) below. Wealthy Honor has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for Wealthy Honor, Treasure Time Holdings Limited ("Treasure Time"), Xiangshan Lisi Department Store Limited ("Xiangshan Lisi Department Store") and Ningbo Yinzhou Qiyuan Decoration Limited ("Yinzhou Qiyuan"), as they either have not carried on any business since the date of incorporation/establishment or are investment holding companies and/or not subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation/establishment.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Track Record Period and the names of the respective auditors are set out in Section B Note 28. The statutory financial statements of these companies were prepared in accordance with Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The director of Wealthy Honor has prepared the combined financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements") in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the director of Wealthy Honor for inclusion in the Circular in connection with the Company's acquisition of the Target Group based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of Wealthy Honor is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the director of Wealthy Honor determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Wealthy Honor, its subsidiaries or the Target Group in respect of any period subsequent to 31 December 2012.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Section B Note 1(b) below, a true and fair view of the state of affairs of the Target Group as at 31 December 2010, 2011 and 2012 and the Target Group's combined results and cash flows for the Track Record Period then ended.

A COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

1 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Section B Note	Years ended 31 December		
		2010 RMB'000	2011 RMB'000	2012 RMB'000
Turnover	2	749,563	884,465	844,146
Cost of sales		(592,043)	(690,564)	(658,586)
Gross profit	2	157,520	193,901	185,560
Other revenue	3	5,629	4,684	14,049
Other net income	3	526	441	189
Selling and distribution expenses		(65,804)	(89,730)	(98,798)
Administrative expenses		(48,056)	(55,464)	(62,152)
Profit from operations		49,815	53,832	38,848
Valuation gains on investment properties	11	24,530	33,512	32,160
Finance costs	4(a)	(9,622)	(17,056)	(12,436)
Profit before taxation	4	64,723	70,288	58,572
Income tax	5	(17,544)	(19,311)	(18,192)
Profit for the year		<u>47,179</u>	<u>50,977</u>	<u>40,380</u>
Attributable to:				
Equity shareholder of Wealthy Honor		39,294	43,739	34,571
Non-controlling interests		7,885	7,238	5,809
Profit for the year		47,179	50,977	40,380
Other comprehensive income for the year (after tax)				
Surplus on revaluation of a property reclassified from leasehold land and buildings held for own use to investment properties	8	–	–	35,132
Total comprehensive income for the year		<u>47,179</u>	<u>50,977</u>	<u>75,512</u>
Attributable to :				
Equity shareholder of Wealthy Honor		39,294	43,739	67,946
Non-controlling interests		7,885	7,238	7,566
Total comprehensive income for the year		<u>47,179</u>	<u>50,977</u>	<u>75,512</u>

The accompanying notes form part of the Financial Information.

2 COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		At 31 December		
	Section B	2010	2011	2012
	Note	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	10	279,938	292,020	250,913
Investment properties	11	282,520	329,070	446,170
		<u>562,458</u>	<u>621,090</u>	<u>697,083</u>
Current assets				
Inventories	12	137,030	201,357	186,713
Trade and other receivables	13	101,414	100,863	213,039
Amounts due from related companies	24(b)	720,148	1,135,417	1,196,567
Restricted bank deposits	14	6,000	93,911	121,651
Cash and cash equivalents	15	64,339	75,260	48,147
		<u>1,028,931</u>	<u>1,606,808</u>	<u>1,766,117</u>
Current liabilities				
Trade and other payables	16	304,142	468,332	510,627
Amounts due to related companies	24(b)	139,400	448,938	657,458
Bank loans	17(a)	663,186	378,440	399,900
Current taxation	18(a)	6,567	7,441	8,203
		<u>1,113,295</u>	<u>1,303,151</u>	<u>1,576,188</u>
Net current (liabilities)/assets		<u>(84,364)</u>	<u>303,657</u>	<u>189,929</u>
Total assets less current liabilities		<u>478,094</u>	<u>924,747</u>	<u>887,012</u>
Non-current liabilities				
Bank loans	17(b)	–	386,650	366,650
Deferred tax liabilities	18(b)	63,286	72,312	92,079
		<u>63,286</u>	<u>458,962</u>	<u>458,729</u>
NET ASSETS		<u>414,808</u>	<u>465,785</u>	<u>428,283</u>

2 COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(Expressed in RMB)

		At 31 December		
	Section B	2010	2011	2012
	Note	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES	19			
Paid-in capital		120,955	121,146	121,146
Reserves		238,354	283,363	243,946
		<hr/>	<hr/>	<hr/>
Total equity attributable to equity shareholder of Wealthy Honor		359,309	404,509	365,092
Non-controlling interests		55,499	61,276	63,191
		<hr/>	<hr/>	<hr/>
TOTAL EQUITY		<u>414,808</u>	<u>465,785</u>	<u>428,283</u>

The accompanying notes form part of the Financial Information.

3 COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholder of Wealthy Honor					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Paid-in capital RMB'000 (Section B Note 19(b))	Statutory reserves RMB'000 (Section B Note 19(c)(i))	Property revaluation reserve RMB'000 (Section B Note 19(c)(ii))	Other reserve RMB'000 (Section B Note 19(c)(iii))	Retained profits RMB'000			
Balance at 1 January 2010	120,278	13,411	-	2,851	178,722	315,262	52,367	367,629
Changes in equity for 2010:								
Profit and total comprehensive income for the year	-	-	-	-	39,294	39,294	7,885	47,179
Acquisitions of non-controlling interests (Section B Note 20)	677	-	-	4,076	-	4,753	(4,753)	-
Appropriation to reserves	-	2,063	-	-	(2,063)	-	-	-
	<u>677</u>	<u>2,063</u>	<u>-</u>	<u>4,076</u>	<u>(2,063)</u>	<u>4,753</u>	<u>(4,753)</u>	<u>-</u>
Balance at 31 December 2010 1 January 2011	120,955	15,474	-	6,927	215,953	359,309	55,499	414,808
Changes in equity for 2011:								
Profit and total comprehensive income for the year	-	-	-	-	43,739	43,739	7,238	50,977
Acquisitions of non-controlling interests (Section B Note 20)	191	-	-	1,270	-	1,461	(1,461)	-
Appropriation to reserves	-	967	-	-	(967)	-	-	-
	<u>191</u>	<u>967</u>	<u>-</u>	<u>1,270</u>	<u>(967)</u>	<u>1,461</u>	<u>(1,461)</u>	<u>-</u>
Balance at 31 December 2011 1 January 2012	121,146	16,441	-	8,197	258,725	404,509	61,276	465,785
Changes in equity for 2012:								
Profit for the year	-	-	-	-	34,571	34,571	5,809	40,380
Other comprehensive income	-	-	33,375	-	-	33,375	1,757	35,132
Total comprehensive income for the year	-	-	33,375	-	34,571	67,946	7,566	75,512
Distribution to a related company (Section B Note 19(a))	-	(10,196)	-	-	(97,167)	(107,363)	(5,651)	(113,014)
Appropriation to reserves	-	2,729	-	-	(2,729)	-	-	-
	<u>-</u>	<u>(7,467)</u>	<u>-</u>	<u>-</u>	<u>(99,896)</u>	<u>(107,363)</u>	<u>(5,651)</u>	<u>(113,014)</u>
Balance at 31 December 2012	121,146	8,974	33,375	8,197	193,400	365,092	63,191	428,283

The accompanying notes form part of the Financial Information.

4 COMBINED CASH FLOW STATEMENTS

(Expressed in RMB)

	Section B Note	Years ended 31 December		
		2010 RMB'000	2011 RMB'000	2012 RMB'000
Operating activities				
Profit before taxation		64,723	70,288	58,572
Adjustments for:				
– Depreciation	4(c)	15,434	18,584	21,309
– Finance costs	4(a)	9,622	17,056	12,436
– Interest income from cash at bank	3	(815)	(2,253)	(4,046)
– Valuation gains on investment properties	11	(24,530)	(33,512)	(32,160)
– Net gain on disposal of property, plant and equipment	3	(526)	(56)	(17)
Changes in working capital:				
– (Increase)/decrease in inventories		(15,700)	(64,327)	14,644
– Increase in trade and other receivables		(1,386)	(8,611)	(113,136)
– Increase in trade and other payables		63,868	154,170	158,764
Net cash generated from operations		110,690	151,339	116,366
Income tax paid	18(a)	(8,339)	(9,411)	(9,373)
Net cash generated from operating activities		102,351	141,928	106,993
Investing activities				
Payments for the purchase of property, plant and equipment and investment properties		(47,221)	(24,558)	(26,994)
Proceeds from disposal of property, plant and equipment		569	92	71
Net decrease/(increase) in the amounts due from related companies		2,479	(77,409)	(203,060)
Net increase in restricted bank deposits	14	(2,900)	(87,911)	(27,740)
Interest from cash at bank received		815	2,253	4,046
Net cash used in investing activities		(46,258)	(187,533)	(253,677)

4 COMBINED CASH FLOW STATEMENTS (CONTINUED)

(Expressed in RMB)

	Section B Note	Years ended 31 December		
		2010 RMB'000	2011 RMB'000	2012 RMB'000
Financing activities				
Proceeds from new bank loans		430,700	796,000	518,900
Repayment of bank and other loans		(436,500)	(694,096)	(334,440)
Finance costs paid		(36,526)	(45,378)	(64,889)
Net cash (used in)/generated from financing activities		<u>(42,326)</u>	<u>56,526</u>	<u>119,571</u>
Net increase/(decrease) in cash and cash equivalents		13,767	10,921	(27,113)
Cash and cash equivalents at 1 January	15	<u>50,572</u>	<u>64,339</u>	<u>75,260</u>
Cash and cash equivalents at 31 December	15	<u><u>64,339</u></u>	<u><u>75,260</u></u>	<u><u>48,147</u></u>
Non-cash transaction				

As mentioned in Section B Notes 16(b), 17(e), 19(a) and 24(a), the Target Group transferred certain assets and liabilities to a related company, where the net assets transferred were satisfied by the transfer of statutory reserves and retained profits to the same related company.

The accompanying notes form part of the Financial Information.

B NOTES TO THE COMBINED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards (“HKASs”) and related interpretations, issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Track Record Period, except for any new and revised standards or interpretations that are not yet effective for the accounting period ended 31 December 2012. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2012 are set out in Section B Note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all years presented in the Financial Information.

(b) Basis of preparation and presentation

Prior to the Reorganisation as mentioned in the section headed “Letter from the Board – Part B – Information of the Target Group” in the Circular, the businesses of the companies then comprising the Target Group were substantially carried out by Da Mei (Ningbo) Electrical Appliance Limited (“Da Mei (Ningbo) Electrical Appliance”) and Ningbo New JoySun Corporation (“New JoySun”) and its seventeen subsidiaries (the “New JoySun Group”). As part of the Reorganisation undertaken by the Target Group, Wealthy Honor was incorporated in the British Virgin Islands on 7 November 2012 to acquire certain businesses of the companies then comprising the Target Group, via a wholly owned subsidiary – Treasure Time, and to become the holding company of the Target Group. The companies acquired by Wealthy Honor via Treasure Time comprised Da Mei (Ningbo) Electrical Appliance, New JoySun and eight of the seventeen subsidiaries of the New JoySun Group (see below list of companies for further details). The other nine subsidiaries were transferred to a related party (the “Transferee”) at the cost of investments recognised by New JoySun. All of the companies that took part in the Reorganisation, namely Wealthy Honor, Treasure Time, Da Mei (Ningbo) Electrical Appliance, New JoySun and the eight subsidiaries retained, the nine subsidiaries transferred to a related party, and the Transferee, were controlled by the same ultimate equity shareholder, Mr Li Lixin (the “Controlling Shareholder”), during the Track Record Period.

Because the companies now comprising the Target Group were controlled by the Controlling Shareholder before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Target Group had always been in existence. The net assets of the companies now comprising the Target Group are combined using the book values from the Controlling Shareholder’s perspective. The equity interests of equity holders other than the Controlling Shareholder in the companies now comprising the Target Group have been presented as non-controlling interests in the Financial Information. The nine subsidiaries transferred to the Transferee have been excluded in the preparation of the Financial Information as if they had never been within the Target Group. The receivable from the Transferee arose from the above transfer has been included under the caption “Amounts due from related companies” in the combined statements of financial position at 31 December 2010, 2011 and 2012.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group for the Track Record Period, as set out in Section A, include the results of operations of the companies now comprising the Target Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2010, for the period from their respective incorporation/establishment dates to 31 December 2012) as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of the Target Group as at 31 December 2010, 2011 and 2012, as set out in Section A, have been prepared to present the state of affairs of the companies now comprising the Target Group as at the respective dates as if the group structure upon the completion of the Reorganisation had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, Wealthy Honor had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of subsidiary	Place and date of establishment/incorporation	Particulars of registered/issued and paid-up capital	Equity interests attributable to the equity shareholder of Wealthy Honor		Principal activities
			Direct	Indirect	
New JoySun 寧波新江廈股份有限公司*	The PRC 8 November 1993	RMB60,000,000	-	95%	Wholesale of household products and wine and beverages, operation of department store, and provision of financing to group companies
Ningbo New JoySun Supermarket Chain Limited ("New Joysun Supermarket Chain") 寧波新江廈連鎖超市有限公司*	The PRC 31 December 2001	RMB30,000,000	-	77.9%	Operation of supermarkets
Yinzhou Qiyuan 寧波市鄞州启元裝飾有限公司*	The PRC 25 October 2002	RMB600,000	-	95%	Provision of decoration services and trading of decorating materials
Ningbo New JoySun Electrical Appliance Department Store Wholesale Limited ("New JoySun Electrical Appliance") 寧波新江廈家電百貨批發有限公司*	The PRC 21 September 2004	RMB10,000,000	-	95%	Wholesale and installation of household electrical appliances
Da Mei (Ningbo) Electrical Appliance 達美(寧波)電器有限公司*	The PRC 1 June 2006	United States Dollar ("USD")7,641,679	-	100%	Manufacture and sale of household electrical appliances and plastic products

Name of subsidiary	Place and date of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Equity interests attributable to the equity shareholder of		Principal activities
			Wealthy Direct	Honor Indirect	
Xiangshan Lisi Department Store 象山利時百貨有限公司*	The PRC 14 January 2008	RMB20,000,000	-	95%	Property management and operation of department store
Ningbo New JoySun Logistics Limited ("New JoySun Logistics") 寧波新江廈物流有限公司*	The PRC 7 April 2008	RMB5,000,000	-	77.9%	Provision of transportation and logistic services
Ningbo Jiangdong New JoySun Supermarket Limited 寧波江東新江廈超市有限公司*	The PRC 27 April 2011	RMB1,000,000	-	77.9%	Operation of supermarket
Tonglu Lisi Supermarket Limited ("Tonglu Lisi Supermarket") 桐廬利時超市有限公司*	The PRC 21 September 2011	RMB1,000,000	-	77.9%	Operation of supermarket
Ningbo Lisi Supermarket Limited 寧波利時超市有限公司*	The PRC 14 November 2011	RMB1,000,000	-	77.9%	Operation of supermarket
Treasure Time 豐時控股有限公司**	Hong Kong 21 November 2012	Hong Kong Dollar ("HK\$")1	100%	-	Investment holding

* These companies are limited liability companies established in mainland China. The English translation of the names of these entities are for reference only. The official names of these entities are in Chinese.

** This company is a limited liability company incorporated outside mainland China.

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand. It is prepared on the historical cost basis except for investment properties which are stated at their fair values (see Section B Note 1(f)).

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section B Note 25.

(e) **Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Target Group. Control exists when the Target Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is combined into the combined Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity interests in a subsidiary not attributable directly or indirectly to Wealthy Honor, and in respect of which the Target Group has not agreed any additional terms with the holders of those equity interests which would result in the Target Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholder of Wealthy Honor. Non-controlling interests in the results of the Target Group are presented on the face of the combined income statement and the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of Wealthy Honor.

Changes in the Target Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative equity interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(f) **Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Section B Note 1(h)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Rental income from investment properties is accounted for as described in Section B Note 1(r)(iii).

(g) **Property, plant and equipment**

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Section B Note 1(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Section B Note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	<i>Estimated useful lives</i>
- Leasehold land and buildings	Over the shorter of the unexpired term of lease and their estimated useful lives
- Leasehold improvements	3-10 years
- Furniture, fixtures and equipment	3-10 years
- Motor vehicles	4-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

When the use of a property changes from held for own use to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in the income statement to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation property reserve within equity. Any loss is recognised immediately in the income statement.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(ii) Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Section B Note 1(f)).

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding receivables directly, except for receivable whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula for merchandises hold for wholesale purpose, and the first-in-first-out cost formula for merchandises hold for retail purpose. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Section B Note 1(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Section B Note 1(i)(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Payables

Payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) **Employee benefits**

(i) *Short-term employee benefits and contributions to defined contribution retirement plan*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plan and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Target Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Section B Note 1(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods and net income from concession sales

Revenue arising from the sale of goods and net income from concession sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue or net income excludes value added tax or other sales taxes and is after deduction of any sales discounts. No revenue or net income is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or continuing management involvement with the goods.

(ii) Service fee income

Service fee income from the operation of department stores and supermarkets is recognised when the related services are rendered.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as other revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the income statement over the useful life of the asset by way of reduced depreciation expense.

(s) **Translation of foreign currencies**

Foreign currency transactions during the year are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Target Group if that person:
- (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or the Target Group's parent.
- (b) An entity is related to the Target Group if any of the following conditions applies:
- (i) The entity and the Target Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Target Group's turnover is substantially derived from retail and wholesale customers situated in the PRC, and the Target Group's operating assets are substantially located in the PRC. Accordingly, no segment analysis based on geographical location of the customers and assets is provided.

2 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Target Group are the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, and property leasing.

Turnover represents the sales value of goods sold to retail and wholesale customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases, and other service fee income. The amount of each significant category of revenue and net income recognised during the Track Record Period is analysed as follows:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Sales of goods:			
– retail	400,633	487,598	456,268
– wholesale	270,116	304,331	294,467
Net income from concession sales	38,687	42,938	38,238
Rental income from operating leases	9,603	13,253	22,223
Other service fee income	30,524	36,345	32,950
	<u>749,563</u>	<u>884,465</u>	<u>844,146</u>

The Target Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Target Group's turnover during the Track Record Period. Details of concentrations of credit risk are set out in Section B Note 21(a).

Information on gross revenue

Gross revenue represents the gross amount arising from the sales of goods and concession sales charged to retail and wholesale customers, and rental income from operating leases and other service fee income charged to tenants, net of value added tax or other sales tax and discounts.

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Sales of goods:			
– retail	400,633	487,598	456,268
– wholesale	270,116	304,331	294,467
Gross revenue from concession sales	235,760	241,643	242,579
Rental income from operating leases	9,603	13,253	22,223
Other service fee income	30,524	36,345	32,950
	<u>946,636</u>	<u>1,083,170</u>	<u>1,048,487</u>

Further details regarding the Target Group's principal activities are disclosed below.

(b) Segment reporting

The Target Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Target Group's most senior executive management for the purposes of resource allocation and performance assessment, the Target Group has presented the following three reportable segments. Except for the aggregation mentioned below, no operating segments have been aggregated to form the following reportable segments.

- Supermarkets: this segment manages the supermarket operations.
- Department stores: this segment manages the department store operations. In December 2012, the Target Group leased out the whole of one of its two department store operations, and accordingly, the Target Group no longer manages the operations of this department store. The lease of this department store is viewed as a separate segment – “Property leasing” – by the senior executive management. However, as the above change of segment took place in December 2012, and the segment performance and results of the leased out property are neither significant to other segments of the Target Group nor the Target Group as a whole, this “Property leasing” segment has been aggregated into the “Department stores” segment.
- Wholesale: this segment carries out the wholesale of wine and beverages and electrical appliances.

(i) Segment information

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and net income and expenses are allocated to the reportable segments with reference to revenue and net income generated by those segments (including inter-segment sales) and the expenses incurred by those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. Other than inter-segment sales, assistance provided by one segment to another is not measured.

The measure used for reporting segment profit is gross profit. The Target Group's operating expenses such as selling and distribution expenses and administrative expenses, and assets and liabilities are not monitored by the Target Group's senior executive management based on segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Target Group's reportable segments as provided to the Target Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Track Record Period is set out below.

	Year ended 31 December 2010			Total
	Supermarkets	Department stores	Wholesale	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue and net income from external customers	437,062	40,459	272,042	749,563
Inter-segment revenue	–	–	4,406	4,406
Reportable segment revenue and net income	437,062	40,459	276,448	753,969
Reportable segment gross profit	93,532	39,657	24,331	157,520

	Year ended 31 December 2011			
	Department			Total
	Supermarkets	stores	Wholesale	
RMB'000	RMB'000	RMB'000	RMB'000	
Revenue and net income				
from external customers	531,420	41,825	311,220	884,465
Inter-segment revenue	—	—	8,519	8,519
Reportable segment revenue and net income	531,420	41,825	319,739	892,984
Reportable segment gross profit	109,580	40,785	43,536	193,901
	Year ended 31 December 2012			
	Department			Total
	Supermarkets	stores	Wholesale	
RMB'000	RMB'000	RMB'000	RMB'000	
Revenue and net income				
from external customers	507,859	39,187	297,100	844,146
Inter-segment revenue	—	—	2,457	2,457
Reportable segment revenue and net income	507,859	39,187	299,557	846,603
Reportable segment gross profit	100,311	38,566	46,683	185,560

(ii) *Reconciliations of reportable segment revenue and net income*

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Revenue and net income			
Reportable segment revenue and net income	753,969	892,984	846,603
Elimination of inter-segment revenue	(4,406)	(8,519)	(2,457)
Combined turnover (<i>Section B Note 2(a)</i>)	749,563	884,465	844,146

3 OTHER REVENUE AND OTHER NET INCOME

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other revenue			
Interest income from cash at bank	815	2,253	4,046
Government grants	4,814	2,431	8,108
Others	–	–	1,895
	<u>5,629</u>	<u>4,684</u>	<u>14,049</u>
Other net income			
Net gain on disposal of property, plant and equipment	526	56	17
Others	–	385	172
	<u>526</u>	<u>441</u>	<u>189</u>

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Interest expenses on bank and other loans	33,799	40,793	59,026
Bank charges and other finance costs	2,727	4,585	5,863
	<u>36,526</u>	<u>45,378</u>	<u>64,889</u>
Interest income from advances to related companies (<i>Section B Note 24(a)</i>)	(26,904)	(28,322)	(52,453)
	<u>9,622</u>	<u>17,056</u>	<u>12,436</u>

No borrowing costs have been capitalised during the Track Record Period.

(b) Staff costs

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	44,599	57,741	60,502
Contributions to defined contribution retirement plan (Note (i))	2,888	3,819	3,670
	<u>47,487</u>	<u>61,560</u>	<u>64,172</u>

Note:

- (i) The employees of the subsidiaries of the Target Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at 12% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Target Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Depreciation (Section B Note 10)	15,434	18,584	21,309
Auditors' remuneration			
– statutory audit services	160	280	320
Operating lease charges in respect of properties	10,785	16,300	25,872
Cost of inventories (Section B Note 12(b))	592,043	690,564	658,586
	<u>592,043</u>	<u>690,564</u>	<u>658,586</u>

5 INCOME TAX IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the combined statements of comprehensive income represents:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current tax			
– Provision for PRC income tax for the year (Section B Note 18(a))	9,990	10,285	10,135
Deferred taxation			
– Origination and reversal of temporary differences (Section B Note 18(b))	7,554	9,026	8,057
	<u>17,544</u>	<u>19,311</u>	<u>18,192</u>

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>64,723</u>	<u>70,288</u>	<u>58,572</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Note (i))	16,181	17,572	14,643
Tax effect of non-taxable income	(172)	(866)	(953)
Tax effect of non-deductible expenses	693	738	1,239
Tax effect of unused tax losses not recognised	842	1,867	3,263
Income tax	<u>17,544</u>	<u>19,311</u>	<u>18,192</u>

Note:

- (i) The subsidiaries of Wealthy Honor established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

6 DIRECTOR'S REMUNERATION

The sole director of Wealthy Honor, Mr Li Lixin, did not receive any remuneration from the Target Group during the Track Record Period.

There was no amount paid during the Track Record Period to the director in connection with his retirement from employment or compensation for loss of office with the Target Group, or inducement to join. There was no arrangement under which the director waived or agreed to waive any remuneration during the Track Record Period.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the Track Record Period, none of them is a director. The aggregate of the emoluments in respect of these five individuals are as follows:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,292	2,021	2,191
Discretionary bonuses	666	2,260	1,700
Retirement scheme contributions	38	63	62
	<u>1,996</u>	<u>4,344</u>	<u>3,953</u>

The emoluments of the individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
HK\$Nil to HK\$1,000,000	4	3	3
HK\$1,000,001 to HK\$1,500,000	1	1	1
HK\$2,000,001 to HK\$2,500,000	–	–	1
HK\$3,000,001 to HK\$3,500,000	–	1	–
	<u>–</u>	<u>1</u>	<u>–</u>

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Track Record Period.

8 OTHER COMPREHENSIVE INCOME

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Surplus on revaluation of a property reclassified from leasehold land and buildings held for own use to investment properties			
– before tax amount (<i>Section B Note 11(b)</i>)	–	–	46,842
– tax expense (<i>Section B Note 18(b)</i>)	–	–	(11,710)
	<u>–</u>	<u>–</u>	<u>35,132</u>
Net-of-tax amount	–	–	35,132

9 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation has not been completed as at 31 December 2012 and the preparation of the results of the Target Group for the Track Record Period was on a combined basis.

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2010	272,312	30,851	49,098	2,916	355,177
Additions	25,360	11,335	4,764	566	42,025
Disposals	-	-	(661)	(135)	(796)
	<u>297,672</u>	<u>42,186</u>	<u>53,201</u>	<u>3,347</u>	<u>396,406</u>
At 31 December 2010	297,672	42,186	53,201	3,347	396,406
Accumulated depreciation:					
At 1 January 2010	(56,279)	(10,757)	(32,991)	(1,760)	(101,787)
Charge for the year	(6,958)	(3,273)	(4,818)	(385)	(15,434)
Written back on disposals	-	-	624	129	753
	<u>(63,237)</u>	<u>(14,030)</u>	<u>(37,185)</u>	<u>(2,016)</u>	<u>(116,468)</u>
At 31 December 2010	(63,237)	(14,030)	(37,185)	(2,016)	(116,468)
Net book value:					
At 31 December 2010	<u>234,435</u>	<u>28,156</u>	<u>16,016</u>	<u>1,331</u>	<u>279,938</u>
Cost:					
At 1 January 2011	297,672	42,186	53,201	3,347	396,406
Additions	6,383	13,650	8,710	1,959	30,702
Disposals	-	-	(101)	(630)	(731)
	<u>304,055</u>	<u>55,836</u>	<u>61,810</u>	<u>4,676</u>	<u>426,377</u>
At 31 December 2011	304,055	55,836	61,810	4,676	426,377
Accumulated depreciation:					
At 1 January 2011	(63,237)	(14,030)	(37,185)	(2,016)	(116,468)
Charge for the year	(7,307)	(5,034)	(5,643)	(600)	(18,584)
Written back on disposals	-	-	97	598	695
	<u>(70,544)</u>	<u>(19,064)</u>	<u>(42,731)</u>	<u>(2,018)</u>	<u>(134,357)</u>
At 31 December 2011	(70,544)	(19,064)	(42,731)	(2,018)	(134,357)
Net book value:					
At 31 December 2011	<u>233,511</u>	<u>36,772</u>	<u>19,079</u>	<u>2,658</u>	<u>292,020</u>

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2012	304,055	55,836	61,810	4,676	426,377
Additions	–	11,234	6,504	616	18,354
Reclassification to investment properties (<i>Section B Note 11(b)</i>)	(43,266)	–	–	–	(43,266)
Disposals	–	–	(228)	–	(228)
At 31 December 2012	260,789	67,070	68,086	5,292	401,237
Accumulated depreciation:					
At 1 January 2012	(70,544)	(19,064)	(42,731)	(2,018)	(134,357)
Charge for the year	(7,238)	(6,569)	(6,653)	(849)	(21,309)
Reclassification to investment properties (<i>Section B Note 11(b)</i>)	5,168	–	–	–	5,168
Written back on disposals	–	–	174	–	174
At 31 December 2012	(72,614)	(25,633)	(49,210)	(2,867)	(150,324)
Net book value:					
At 31 December 2012	188,175	41,437	18,876	2,425	250,913

- (a) Certain leasehold land and buildings were pledged against bank loans drawn by the Target Group and related companies under the control of the Controlling Shareholder, further details are set out in Section B Note 17(c) and Section B Note 23.
- (b) At 31 December 2010, 2011 and 2012, property certificates of certain properties with an aggregate net book value of RMB19,190,000, RMB18,723,000 and RMB18,255,000, respectively, are yet to be obtained.

11 INVESTMENT PROPERTIES

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Valuation:			
At 1 January	257,990	282,520	329,070
Additions	–	13,038	–
Reclassification from property, plant and equipment (<i>Note (b)</i>)	–	–	38,098
Fair value adjustments			
– credited to the combined income statements	24,530	33,512	32,160
– credited to property revaluation reserve (<i>Section B Notes 8 and 11(b)</i>)	–	–	46,842
	<u>282,520</u>	<u>329,070</u>	<u>446,170</u>
At 31 December	<u>282,520</u>	<u>329,070</u>	<u>446,170</u>

(a) Revaluation of investment properties

The investment properties of the Target Group were revalued on 31 December 2010, 2011 and 2012 on an open market value basis by making reference to comparable sales transactions as available in the relevant market, and where appropriate, taken into account of the valuation results based on the income capitalisation approach. The valuations were carried out by an independent firm of surveyors, DTZ Debenbam Tie Leung Limited (“DTZ”), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(b) Reclassification from property, plant and equipment

In December 2012, the Target Group transferred a property from property, plant and equipment to investment properties, as the Target Group has decided to lease out this property to third parties instead of it being used as the Target Group’s department store operations (see Section B Note 2(b)). On the date of transfer, the carrying amount and the fair value of this property were RMB38,098,000 and RMB84,940,000, respectively. The fair value was determined based on a valuation carried out by DTZ on the same basis as mentioned in Section B Note 11(a) above. The difference between the carrying amount and the fair value of this property of RMB46,842,000 was credited to the property revaluation reserve within equity.

(c) Certain investment properties were pledged against bank loans drawn by the Target Group and related companies under the control of the Controlling Shareholder, further details are set out in Section B Note 17(c) and Section B Note 23.

12 INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Merchandises	136,939	201,087	186,570
Low value consumables	91	270	143
	<u>137,030</u>	<u>201,357</u>	<u>186,713</u>

- (b) The analysis of the amounts of inventories recognised as expenses and included in the combined statements of comprehensive income during the Track Record Period is as follows:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	591,360	688,740	654,659
Losses of inventories	683	1,824	3,927
	<u>592,043</u>	<u>690,564</u>	<u>658,586</u>

13 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Trade receivables arising from:			
– operation of supermarkets and department stores	5,512	3,778	1,723
– wholesale operations	20,183	11,737	19,241
	<u>25,695</u>	<u>15,515</u>	<u>20,964</u>
Bills receivables	836	3,111	113,680
	<u>26,531</u>	<u>18,626</u>	<u>134,644</u>
Prepayments for purchase of inventories	50,428	60,874	53,873
Prepayments and deposits for operating leases expenses	7,059	6,386	9,597
Prepayments for purchase of property, plant and equipment	11,582	2,420	1,460
Others	5,814	12,557	13,465
	<u>101,414</u>	<u>100,863</u>	<u>213,039</u>

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year, except for deposits of RMB4,014,000, RMB6,015,000 and RMB6,668,000 at 31 December 2010, 2011 and 2012, respectively.

(a) Ageing analysis

At 31 December 2010, 2011 and 2012, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 month	25,440	17,025	21,614
1 to 3 months	130	1,601	–
Over 3 months	961	–	113,030
	<u>26,531</u>	<u>18,626</u>	<u>134,644</u>

Further details on the Target Group's credit policy are set out in Section B Note 21(a).

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December		
	2010 RMB'000	2011 RMB'000	2012 RMB'000
Neither past due nor impaired	25,570	18,626	134,644
1 to 3 months past due	961	–	–
	26,531	18,626	134,644
	26,531	18,626	134,644

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers for whom there was no recent history of default and had a good track record with the Target Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral over these balances.

14 RESTRICTED BANK DEPOSITS

	At 31 December		
	2010 RMB'000	2011 RMB'000	2012 RMB'000
Pledged deposits for issuance of bank bills (Section B Note 16)	6,000	77,611	105,651
Pledged deposits for bank loans (Section B Note 17(c))	–	16,300	–
Pledged deposits for bank loans drawn by related companies (Section B Note 23)	–	–	16,000
	6,000	93,911	121,651
	6,000	93,911	121,651

15 CASH AND CASH EQUIVALENTS

	At 31 December		
	2010 RMB'000	2011 RMB'000	2012 RMB'000
Cash at bank and on hand	64,339	75,260	48,147
	64,339	75,260	48,147

The Target Group's operations of supermarkets and department stores, wholesale business and property leasing in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 TRADE AND OTHER PAYABLES

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Trade payables arising from:			
– purchase of inventories	165,704	202,176	117,592
– concession sales	37,294	34,964	26,938
	<u>202,998</u>	<u>237,140</u>	<u>144,575</u>
Bills payables	12,000	82,184	242,377
	<u>214,998</u>	<u>319,324</u>	<u>386,952</u>
Payable for staff related costs	9,737	9,606	10,019
Accruals for operating lease expenses	2,954	5,015	12,756
Deposits received from suppliers	3,028	4,535	4,598
Payable for miscellaneous taxes	5,422	2,550	4,335
Payable for purchase of a property	–	10,020	420
Others	10,065	17,699	9,798
	<u>31,206</u>	<u>49,425</u>	<u>41,926</u>
Financial liabilities measured at amortised cost	246,204	368,749	428,878
Receipts in advance	57,938	99,583	81,749
	<u>304,142</u>	<u>468,332</u>	<u>510,627</u>

All of the trade and other payables are expected to be settled or recognised as revenue or net income within one year or are repayable on demand.

(a) Ageing analysis

At 31 December 2010, 2011 and 2012, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 month	96,445	211,634	56,533
1 to 3 months	108,718	99,031	223,883
Over 3 months	9,835	8,659	106,536
	<u>214,998</u>	<u>319,324</u>	<u>386,952</u>

(b) Transfer of trade and other payables to the Transferee

In December 2012, the Target Group transferred trade and other payables with an aggregate amount of RMB 106,869,000 to the Transferee (Section B Note 19(a)). As of 31 December 2012, the Target Group has repaid RMB7,921,000 of the transferred trade and other payables upon their respective maturities on behalf of the Transferee. Subsequent to 31 December 2012 and up to the date of issue of this Financial Information, the Target Group has repaid an additional amount of RMB48,754,000 of the transferred trade and other payables upon their respective maturities on behalf of the Transferee. Accordingly, the Target Group's amounts due from related companies have further increased by RMB48,754,000 in this respect.

17 BANK LOANS

(a) The Target Group's short-term bank loans are analysed as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Bank loans:			
– secured by bank deposits	–	25,000	–
– pledged by bank bills	–	–	113,000
– secured by leasehold land and buildings and investment properties	76,200	153,900	166,900
– secured by leasehold land and buildings, investment properties and guaranteed by related companies (Section B Note 24(a))	80,000	–	–
– secured by property, plant and equipment of related companies (Section B Note 24(a))	157,000	187,000	100,000
	<u>313,200</u>	<u>365,900</u>	<u>379,900</u>
Add: current portion of long-term bank loans (Section B Note 17(b))	349,986	12,540	20,000
	<u>663,186</u>	<u>378,440</u>	<u>399,900</u>

(b) The Target Group's long-term bank loans are analysed as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Bank loans secured by leasehold land and buildings and investment properties	349,986	399,190	386,650
Less: current portion of long-term bank loans (Section B Note 17(a))	(349,986)	(12,540)	(20,000)
	<u>–</u>	<u>386,650</u>	<u>366,650</u>

The Target Group's long-term bank loans are repayable as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	349,986	12,540	20,000
After 1 year but within 2 years	–	20,000	20,270
After 2 years but within 5 years	–	68,810	81,080
After 5 years	–	297,840	265,300
	<u>349,986</u>	<u>399,190</u>	<u>386,650</u>

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

- (c) At 31 December 2010, 2011 and 2012, certain of the Target Group's bank loans are secured by the Target Group's leasehold land and buildings, investment properties and bank deposits. The aggregate carrying value of the secured properties and bank deposits are analysed as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Pledged for short-term bank loans:			
Leasehold land and buildings	71,380	67,529	25,863
Investment properties	184,290	202,980	310,270
Restricted bank deposits (Section B Note 14)	–	16,300	–
	<u>255,670</u>	<u>286,809</u>	<u>336,133</u>
Pledged for long-term bank loans:			
Leasehold land and buildings	65,012	76,844	73,823
Investment properties	48,650	51,500	56,310
	<u>113,662</u>	<u>128,344</u>	<u>130,133</u>

- (d) Certain of the Target Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants, the loans would become payable on demand. The Target Group regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in Section B Note 21(b). At 31 December 2010, 2011 and 2012, none of the covenants relating to the bank loans had been breached.

(e) **Transfer of bank loans to the Transferee**

In December 2012, the Target Group transferred bank loans with an aggregate amount of RMB183,000,000 to the Transferee (Section B Note 19(a)). As of 31 December 2012, the Target Group has repaid RMB53,000,000 of the transferred bank loans on behalf of the Transferee, where the remaining amount of the transferred bank loans of RMB130,000,000 has been repaid by the Target Group on behalf of the Transferee up to the date of the issue of this Financial Information. Accordingly, the Target Group's amounts due from related companies have further increased by RMB130,000,000 subsequent to 31 December 2012 in this respect.

18 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

- (a) **Movements in current taxation in the combined statements of financial position are as follows:**

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Balance of income tax payable at 1 January	4,916	6,567	7,441
Provision for income tax on the estimated taxable profits for the year (Section B Note 5(a))	9,990	10,285	10,135
Income tax paid during the year	(8,339)	(9,411)	(9,373)
	<u>6,567</u>	<u>7,441</u>	<u>8,203</u>

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax arising from:	Accruals of operating lease expenses RMB'000	Tax allowance in excess of depreciation on property, plant and equipment RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2010	–	(4,357)	(51,375)	(55,732)
Credited/(charged) to the combined statements of comprehensive income (Section B Note 5(a))	59	(1,101)	(6,512)	(7,554)
At 31 December 2010	59	(5,458)	(57,887)	(63,286)
Credited/(charged) to the combined statements of comprehensive income (Section B Note 5(a))	1,195	(1,463)	(8,758)	(9,026)
At 31 December 2011	1,254	(6,921)	(66,645)	(72,312)
Credited/(charged) to the combined statements of comprehensive income (Section B Note 5(a))	1,873	(1,358)	(8,572)	(8,057)
Charged to reserves (Section B Note 8)	–	–	(11,710)	(11,710)
At 31 December 2012	3,127	(8,279)	(86,927)	(92,079)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Section B Note 1(p), the Target Group has not recognised deferred tax assets in respect of unused tax losses of RMB3,945,000, RMB11,412,000 and RMB24,464,000 at 31 December 2010, 2011 and 2012, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant entity.

(d) Deferred tax liabilities not recognised

At 31 December 2010, 2011 and 2012, temporary differences relating to the undistributed profits of the Target Group's subsidiaries established in the PRC amounted to RMB215,953,000, RMB259,916,000 and RMB202,928,000, respectively. Deferred tax liabilities of RMB10,798,000, RMB12,996,000 and RMB10,146,000, respectively, have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as neither the director of Wealthy Honor nor the director of the Company expects the profits will be distributed in the foreseeable future.

19 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS**(a) Dividends/Distributions**

The Target Group did not declare any dividends during the Track Record Period.

Pursuant to the Reorganisation, the Target Group has transferred certain assets, liabilities and reserves to the Transferee (the "Transfer"). The Transfer was completed on 27 December 2012. Further details of the assets and liabilities transferred are disclosed in Section B Notes 16(b), 17(e) and 24(a). Pursuant to the terms and conditions of the Transfer, all liabilities transferred were jointly and severally guaranteed by New JoySun and the Transferee. The net assets of RMB113,014,000 transferred to the Transferee were accounted for as a distribution to a related company under the control of the Controlling Shareholder in the combined statements of changes in equity.

(b) Paid-in capital

For the purpose of this Financial Information, the paid-in capital of the Target Group at 1 January 2010, 31 December 2010, 2011 and 2012 represented the aggregate of the paid-in capital of the companies now comprising the Target Group as at the respective dates.

(c) Reserves*(i) Statutory reserves*

In accordance with the articles of association of the subsidiaries of the Target Group established in the PRC, these subsidiaries are required to set up certain statutory reserves, which are non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authorities.

(ii) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the reclassification of leasehold land and buildings held for own use to investment properties set out in Section B Note 1(g).

(iii) Other reserve

The other reserve at 31 December 2010, 2011 and 2012 represented the aggregate amount of the differences between the amounts of paid-in capital and the carrying amounts of the non-controlling interests acquired by a related party under the control of the Controlling Shareholder during the Track Record Period. Pursuant to the Reorganisation, these acquired non-controlling interests are part of the Target Group, and accordingly, the considerations paid by the above related party have been accounted for as contributions from the Controlling Shareholder.

(d) Distributable reserves

Wealthy Honor was incorporated on 7 November 2012 and has not carried on any business since the date of its incorporation save for the Reorganisation. Accordingly, there is no reserve for distribution to the equity shareholder of Wealthy Honor as at 31 December 2012.

Upon completion of the acquisition of Wealthy Honor by the Company, the payment of any future dividends will be determined by the directors of the Company. These dividends, if any, will depend upon the future earnings, capital requirements, and financial conditions and general business conditions of the Company and its existing subsidiaries and the Target Group as a whole.

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total bank loans less restricted bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

During the Track Record Period, the Target Group's strategy was to lower or maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Target Group may adjust the amount of dividends/distributions paid to equity holders, issue new shares/raise new capital, return capital to equity holders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratios at 31 December 2010, 2011 and 2012 were as follows:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities:			
Bank loans	663,186	378,440	399,900
Non-current liabilities:			
Bank loans	—	386,650	366,650
Total debt	663,186	765,090	766,550
Less: cash and cash equivalents	(64,339)	(75,260)	(48,147)
Less: restricted bank deposits	(6,000)	(93,911)	(121,651)
Adjusted net debt	592,847	595,919	596,752
Total equity and adjusted capital	414,808	465,785	428,283
Adjusted net debt-to-capital ratio	143%	128%	139%

Neither Wealthy Honor nor any of its subsidiaries are subject to externally imposed capital requirements.

20 ACQUISITIONS OF NON-CONTROLLING INTERESTS

In 2010, Lisi Group Company Limited ("Lisi Co"), a related party under the control of the Controlling Shareholder, acquired a total additional of 2.37% equity interests in New JoySun Supermarket Chain. Consequently, for the purpose of this Financial Information, the Target Group recognised an increase in paid-in capital of RMB677,000, represented the paid-in capital of the additional equity interests acquired, and a decrease in non-controlling interests of RMB4,753,000, represented the carrying amounts of the non-controlling interests on the respective dates of acquisition, where the differences between the total paid-in capital acquired and the total carrying amount non-controlling interests of RMB4,076,000 was accounted for as contributions from the Controlling Shareholder and included in other reserve within equity. Upon completion of these acquisitions, the Target Group's effective interest in New JoySun Supermarket Chain increased from 75.01% to 77.26%.

In 2011, Lisi Co acquired a total additional of 0.67% equity interests in New JoySun Supermarket Chain. Consequently, for the purpose of this Financial Information, the Target Group recognised an increase in paid-in capital of RMB191,000, represented the paid-in capital of the additional equity interests acquired, and a decrease in non-controlling interests of RMB1,461,000, represented the carrying amounts of the non-controlling interests on the respective dates of acquisition, where the differences between the total paid-in capital acquired and the total carrying amount of the non-controlling interests of RMB1,270,000 was accounted for as contributions from the Controlling Shareholder and included in other reserve within equity. Upon completion of these acquisitions, the Target Group's effective interest in New JoySun Supermarket Chain increased from 77.26% to 77.90%.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to trade and other receivables and amounts due from related companies. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

As mentioned in Section B Note 24(b), the Controlling Shareholder has undertaken to settle the amounts due to the Target Group, after netting off the amounts due from the Target Group, prior to the completion of the Company's acquisition of Wealthy Honor. Accordingly, the management of the Target Group consider the amounts due from related companies are with minimal credit risk.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally required to be settled within 90 days from the date of billing. Normally, the Target Group does not obtain collateral from customers.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. At 31 December 2010, 2011 and 2012, 19%, 8% and 23%, respectively, of trade receivables were due from the Target Group's largest trade debtor; and 33%, 21% and 36%, respectively, of trade receivables were due from the Target Group's five largest trade debtors.

Except for the pledges of certain of the Target Group's properties and bank deposits for bank loans drawn by related companies as set out in Section B Note 23, the Target Group does not provide any other guarantees which would expose the Target Group to credit risk. The maximum exposure to credit risk in respect of these pledges during the Track Record Period is disclosed in Section B Note 23.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and other receivables and amounts due from related companies are set out in Section B Notes 13 and 24(b).

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for the short term investment of their own cash surpluses, where the raising of financings to cover expected cash demands are centrally managed by the Target Group. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 December 2010, 2011 and 2012 of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Target Group can be required to pay:

	At 31 December 2010 Contractual undiscounted cash outflow within 1 year or on demand RMB'000	Carrying amount at 31 December 2010 RMB'000
Trade and other payables measured at amortised cost	246,204	246,204
Amounts due to related companies	139,400	139,400
Bank loans	695,672	663,186
	<u>1,081,276</u>	<u>1,048,790</u>

At 31 December 2011

Contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount at 31 December 2011 <i>RMB'000</i>
Trade and other payables measured at amortised cost	368,749	–	–	–	368,749	368,749
Amounts due to related companies	448,938	–	–	–	448,938	448,938
Bank loans	426,451	49,403	147,129	366,033	989,016	765,090
	<u>1,244,138</u>	<u>49,403</u>	<u>147,129</u>	<u>366,033</u>	<u>1,806,703</u>	<u>1,582,777</u>

At 31 December 2012

Contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount at 31 December 2012 <i>RMB'000</i>
Trade and other payables measured at amortised cost	428,878	–	–	–	428,878	428,878
Amounts due to related companies	657,458	–	–	–	657,458	657,458
Bank loans	433,604	48,122	153,713	310,970	946,409	766,550
	<u>1,519,940</u>	<u>48,122</u>	<u>153,713</u>	<u>310,970</u>	<u>2,032,745</u>	<u>1,852,886</u>

(c) Interest rate risk

The Target Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Target Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Target Group's bank loans at 31 December 2010, 2011 and 2012.

	At 31 December 2010		At 31 December 2011		At 31 December 2012	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:						
Bank loans	5.31-6.12	167,000	7.64-7.87	414,190	5.70-7.87	613,450
Variable rate borrowings:						
Bank loans	5.23-6.69	496,186	5.90-8.20	350,900	6.00-7.20	153,100
Total interest-bearing borrowings		663,186		765,090		766,550
Fixed rate borrowings as a percentage of total interest-bearing borrowings		25%		54%		80%

(ii) Sensitivity analysis

At December 2010, 2011 and 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Group's profit after tax and retained profits by approximately RMB3,721,000, RMB2,632,000 and RMB1,148,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Target Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at 31 December 2010, 2011 and 2012, respectively. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Target Group at the end of each reporting period, the impact on the Target Group's profit after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the Track Record Period.

(d) Currency risk

The Target Group is not exposed to significant currency risk during the Track Record Period, as no transactions are conducted in a foreign currency other than the functional currency of the operations to which the transactions relate.

(e) Fair values

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2010, 2011 and 2012 except as follows:

	At 31 December 2011		At 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term bank loans	386,650	360,466	366,650	335,352

The fair value of long-term bank loans is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Target Group uses the interest rate published by the People's Bank of China as of 31 December 2011 and 2012 plus an adequate constant credit spread to discount long-term bank loans. The interest rates used are as follows:

	At 31 December	
	2011	2012
Long-term bank loans	7.76%	7.21%

22 COMMITMENTS

(a) At 31 December 2010, 2011 and 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 year	10,171	12,960	23,876
After 1 year but within 5 years	34,588	52,504	83,884
After 5 years	34,712	66,634	69,272
	<u>79,471</u>	<u>132,098</u>	<u>177,032</u>

The Target Group leases a number of properties for the use by its supermarket operations under operating leases. The leases typically run for an initial period of less than 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

- (b) At 31 December 2010, 2011 and 2012, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December		
	2010 RMB'000	2011 RMB'000	2012 RMB'000
Within 1 year	10,942	14,298	23,755
After 1 year but within 5 years	24,311	36,248	51,666
After 5 years	3,785	9,157	11,241
	39,038	59,703	86,662
	39,038	59,703	86,662

The Target Group leases out part or whole of its department stores and supermarkets under operating leases. The leases typically run for an initial period of less than 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

23 PLEDGE OF ASSETS FOR BANK LOANS OF RELATED COMPANIES

At 31 December 2010, 2011 and 2012, the Target Group pledged certain bank deposits, leasehold land and buildings and investment properties to secure bank loans borrowed by the related companies under the control of the Controlling Shareholder. The aggregate carrying value of the restricted bank deposits, leasehold land and buildings and investment properties are analysed as follows:

	At 31 December		
	2010 RMB'000	2011 RMB'000	2012 RMB'000
Restricted bank deposits (<i>Section B Note 14</i>)	–	–	16,000
Leasehold land and buildings	3,390	51,477	38,613
Investment properties	–	25,510	156,620
	3,390	76,987	211,233
	3,390	76,987	211,233

The Controlling Shareholder has undertaken to release the above pledges of bank deposits and properties prior to the completion of the Company's acquisition of Wealthy Honor.

24 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related companies under the control of the Controlling Shareholder

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Sales of goods	–	8,270	11,042
Purchases of goods	7,771	6,184	11,753
Operating lease expenses	375	500	750
Interest income	26,904	28,322	52,453
Net increase in advances granted to related companies	24,425	105,731	255,513
Net amounts due from related companies transferred to the Transferee	–	–	(402,883)
Trade and other payables and bank loans transferred to the Transferee	–	–	289,869
Guarantees provided on liabilities transferred to the Transferee (Note (i))	–	–	269,482
Guarantees received from and property, plant and equipment pledged by related companies for the Target Group's bank loans at the end of the reporting periods (Note (i))	237,000	187,000	100,000
	<u>237,000</u>	<u>187,000</u>	<u>100,000</u>

Note:

- (i) The Controlling Shareholder has undertaken to release the guarantees provided to and received from related companies prior to the completion of the Company's acquisition of Wealthy Honor.

At 31 December 2010, 2011 and 2012, the Target Group pledged certain bank deposits, leasehold land and buildings and investment properties to secure bank loans borrowed by related companies under the control of the Controlling Shareholder. Further details are set out in Section B Note 23.

(b) Balances due from/(to) related companies under the control of the Controlling Shareholder

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Amounts due from related companies	720,148	1,135,417	1,196,567
Amounts due to related companies	(139,400)	(448,938)	(657,458)
	<u>580,748</u>	<u>686,479</u>	<u>539,109</u>

The amounts due from/(to) related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Controlling Shareholder has undertaken to settle the amounts due to the Target Group, after netting off the amounts due from the Target Group, prior to the completion of the Company's acquisition of Wealthy Honor.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Target Group during the Track Record Period, including amounts paid to Wealthy Honor's director as disclosed in Section B Note 6, and certain of the highest paid employees of the Target Group as disclosed in Section B Note 7, is as follows:

	Years ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	1,279	1,113	1,456
Contributions to defined contribution retirement plan	39	44	57
	1,318	1,157	1,513

Total remuneration is included in "staff costs" (see Section B Note 4(b)).

(d) Proposed continuing connected transactions after the Company's acquisition of the Target Group

As detailed in the section headed "Letter from the Board – Part C – Proposed Continuing Connected Transactions" in the Circular, the directors of the Company proposed that the transactions in respect of the sales of goods, purchases of goods and operating lease expenses with related companies under the control of the Controlling Shareholder to be continued after the acquisition of the Target Group. Accordingly, the directors of the Company expect these transactions to continue after the acquisition of the Target Group, and will constitute as continuing connected transactions as defined in Chapter 14A of the Listing Rules.

25 ACCOUNTING JUDGEMENT AND ESTIMATES

Section B Notes 11 and 21 contain information about the assumptions and their risk factors relating to valuation of investment properties and fair value of financial instruments. Other key resources of estimation uncertainty in the preparation of the Financial Information are as follows:

(a) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, debtor credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Section B Note 1(i)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue/net income and amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue/net income and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

26 IMMEDIATE AND ULTIMATE HOLDING COMPANY

For the purpose of the Financial Information, the director of Wealthy Honor considers the immediate holding company of Wealthy Honor to be Shi Hui Holdings Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of Wealthy Honor to be Big-Max Manufacturing Co., Limited, a company incorporated in Hong Kong. These entities do not produce financial statements available for public use.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2012

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period beginning 1 January 2012 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>	1 January 2013
Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i> – <i>Disclosures – Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's subsequent combined/consolidated financial statements except for the following:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Target Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As described in Section B Note 1(b), the companies now comprising the Target Group were controlled by the Controlling Shareholder before and after the Reorganisation, and the Financial Information has been prepared using the merger basis of accounting as if the Target Group had been in existence throughout the Track Record Period. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Target Group in respect of its involvement with other entities when the standard is adopted for the first time in 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Target Group's existing policies or vice versa.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. The Target Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Target Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the subsequent financial statements.

28 STATUTORY AUDIT

The financial statements of the companies comprising the Target Group which are subject to audit during the Track Record Period were audited by the following auditors:

Name of company	Financial year/period	Statutory auditors (Note (i))
New JoySun	Year ended 31 December 2010	Ningbo Zhengyuan Certified Public Accountants ("Ningbo Zhengyuan") 寧波正源會計師事務所
	Year ended 31 December 2011	Ningbo Tianyuan Certified Public Accountants ("Ningbo Tianyuan") 寧波天元會計師事務所
	Year ended 31 December 2012	Ningbo Yingzhou Hailian Certified Public Accountants ("Ningbo Yingzhou Hailian") 寧波鄞州海聯會計師事務所
New JoySun Supermarket Chain	Year ended 31 December 2010	Ningbo Zhengyuan
	Year ended 31 December 2011	Ningbo Tianyuan
	Year ended 31 December 2012	Ningbo Yingzhou Hailian
New JoySun Electrical Appliance	Years ended 31 December 2011 and 2012 (Note (ii))	Ningbo Yinzhou Hailian
Da Mei (Ningbo) Electrical Appliance	Years ended 31 December 2010 and 2011	Ningbo Weiyuan Certified Public Accountants 寧波威遠會計師事務所
	Year ended 31 December 2012	Ningbo Yingzhou Hailian
New JoySun Logistics	Years ended 31 December 2011 and 2012 (Note (ii))	Ningbo Yinzhou Hailian
Ningbo Jiangdong New JoySun Supermarket Limited	Period from 27 April 2011 to 31 December 2011	Ningbo Tianyuan
	Year ended 31 December 2012	Ningbo Yingzhou Hailian
Tonglu Lisi Supermarket	Year ended 31 December 2012 (Note (ii))	Ningbo Yingzhou Hailian
Ningbo Lisi Supermarket Limited	Period from 14 November 2011 to 31 December 2011	Ningbo Tianyuan
	Year ended 31 December 2012	Ningbo Yingzhou Hailian

Notes:

- (i) The English translation of the names are for reference only. The official names of these entities are in Chinese.
- (ii) The director of the Wealthy Honor confirmed that no statutory audits have been carried out for New JoySun Electrical Appliance and New JoySun Logistics for the year ended 31 December 2010, and for Tonglu Lisi Supermarket for the period from 21 September 2011 to 31 December 2011.

C BALANCE SHEET OF WEALTHY HONOR

Wealthy Honor was incorporated in the British Virgin Islands on 7 November 2012 with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. Wealthy Honor issued 1 share to the Controlling Shareholder on 7 November 2012, and the share has been fully paid up. Wealthy Honor has not carried out any business since the date of its incorporation, save for the Reorganisation.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Wealthy Honor or any of its subsidiaries now comprising the Target Group in respect of any period subsequent to 31 December 2012. No dividend or distribution has been declared or made by any companies now comprising the Target Group in respect of any period subsequent to 31 December 2012.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

Set out below is the management discussion and analysis of the Target Group as at and for each of the three years ended 31 December 2010, 2011 and 2012.

For the three years ended 31 December 2010, 2011 and 2012, the Target Group's business operations were divided into three reportable segments (i) supermarkets – this segment comprised thirty-six (36), thirty-nine (39) and thirty-seven (37) supermarkets as at 31 December 2010, 2011 and 2012, respectively; (ii) department stores—this segment comprised two (2) department stores as at 31 December 2010, 2011 and 2012, respectively; and (iii) wholesale – this segment comprised wholesale operations for the sale of food, wine and electrical appliances.

DISCUSSION OF RESULTS OF OPERATIONS

(a) Management discussion and analysis of the year ended 31 December 2012

Business review and outlook

For the year ended 31 December 2012, the principal business activities of the Target Group were the operations of department stores and supermarkets, and the wholesale of alcohol, wine and beverages and electrical appliances.

The Target Group's turnover represented the sales value of goods sold to retail and wholesale customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases, and other service fee income.

For the year ended 31 December 2012, the Target Group's turnover and gross profit was stable amounting to approximately RMB844,146,000 and RMB185,560,000, representing a slight decrease of approximately 4.6% and 4.3% from the last corresponding period, respectively. The gross profit ratio amounted to approximately 22.0% which was approximately the same as the gross profit ratio for the year ended 31 December 2011.

The slight decrease in gross profit was mainly attributable to the decrease in the gross profit of the Target Group's supermarkets and department stores segments.

As at 31 December 2012, the Target Group would continue to focus on its existing scope of business and provide goods and services of high quality to its customers. The Target Group would continue to be committed to cost-efficiency and rely upon its integrated management system which enabled the Target Group to make business decisions to respond to their customers' preferences in a timely efficient manner. Meanwhile, the Target Group would continue to monitor the sustainability of its operating environment in order to maximise profitability and to take corresponding actions and measures when required.

In December 2012, the Target Group transferred trade and other payables with an aggregate amount of RMB106,869,000 and bank loans with an aggregate amount of RMB183,000,000 to a related party (the "Transferee") as a result of the Transfer (as defined in Section B Note 19(a) to Appendix II to this circular). For details of the aforesaid transfers of trade and other payables and bank loans, please refer to Section B Notes 16(b) and 17(e) to Appendix II to this circular.

The trade and other payables and bank loans transferred by the Target Group were related to (a) those newly-developed businesses which have yet to contribute any profit to the Target Group (such as those newly opened department stores) and were in the opinion of the Directors that were not beneficial to the Target Group after considering business strategic factors such as their geographical locations, public flow, and potential for future development, etc. of such businesses, and (b) those businesses which fall within the restricted foreign investment industries (the “Excluded Companies”). Having considered the financial performance and the other said factors of the Excluded Companies and the foreign nature of the Company, the Directors believe that it is in the best interest of the Target Group to carry out the said transfers of trade and other payables and bank loans and the Transfer. Such trade and other payables and bank loans related to the agreements entered into by members of the Target Group on behalf of those Excluded Companies before the Transfer. Despite the trade and other payables and bank loans were de facto related to and were transferred to the Excluded Companies, the members of the Target Group had to settle such trade and other payables and bank loans on behalf of them. It is because such members of the Target Group, rather than the Excluded Companies, were parties to the relevant agreements and the counterparties to such agreements only recognise and accept settlements from such members of the Target Group. Accordingly, the Excluded Companies will settle and repay the amounts of trade and other payables and bank loans paid by the Target Group on their behalves on or before the completion of the Acquisition. Pursuant to the Sale & Purchase Agreement, Shi Hui and the Guarantors have undertaken to settle all amounts receivables and/or payables between members of the Target Group and connected persons of the Company (which includes the Excluded Companies as they are associates of Mr. Li Li Xin, a Director and controlling Shareholder of the Company) in full. In the event that the Excluded Companies fail to settle the amounts of trade and other payables and bank loans in full on the date of completion of the Acquisition, the Company will have the right to either terminate the Sale & Purchase Agreement and/or claim or recover from Shi Hui and the Guarantors all damages, losses and costs it incurred for the breach of the said undertaking.

Comments on segment information

For the year ended 31 December 2012, the reportable segment revenue of the Target Group’s supermarkets segment amounted to approximately RMB507,859,000, representing a slight decrease of approximately 4.4% from the last corresponding period.

For the year ended 31 December 2012, the reportable segment revenue of the Target Group’s department stores segment amounted to approximately RMB39,187,000, representing a decrease of approximately 6.3% from the last corresponding period. The decrease was mainly due to the construction of light rail nearby the New JoySun department store which reduced customer flow for the year ended 31 December 2012.

For the year ended 31 December 2012, the reportable segment revenue of the Target Group’s wholesale segment amounted to approximately RMB299,557,000 (including inter-segment sales of RMB2,457,000) representing a slight decrease of approximately 6.3% from the last corresponding period.

Major Customers and suppliers

The Target Group’s customer base was diversified and it had no customer with whom transactions have exceeded 10% of the Target Group’s turnover during the year ended 31 December 2012.

No individual supplier accounted for more than 10% of the Target Group's total purchases for the year ended 31 December 2012.

Cash and cash equivalents

The Target Group's cash and cash equivalents comprised cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that were readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

At 31 December 2012, the Target Group's cash and cash equivalents amounted to approximately RMB48,147,000.

Employee and remuneration policy

As at 31 December 2012, the Target Group employed 247 full-time employees. All employees were remunerated based on the employees' skill, knowledge, involvement in the Target Group's affairs and the Target Group's performance, as well as the remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy was to ensure the Target Group was able to attract, retain and motivate high-caliber employees. For the year ended 31 December 2012, salaries, wages and other benefits recorded by the Target Group amounted to approximately RMB64,172,000.

Dividends

For the year ended 31 December 2012, the Target Group did not declare any final or interim dividends.

Finance costs

For the year ended 31 December 2012, the Target Group's finance costs amounted to approximately RMB12,436,000, representing a decrease of approximately RMB4,620,000 or 27.1% from the last corresponding period. Such decrease was mainly attributable to the interest income from related parties which was offset by an increase in interest expenses for the Target Group's bank loans. The directors of the Target Group do not expect any of such interest income from related parties to be continued after the completion of the Acquisition.

Administrative expenses

For the year ended 31 December 2012, the Target Group's administrative expenses amounted to approximately RMB62,152,000 representing an increase of approximately RMB6,688,000 or 12.1% from the last corresponding period. Such increase was mainly attributable to performance bonuses paid by the Target Group's wholesale segment to their respective employees for sales.

Material investments, acquisitions and disposals

For the year ended 31 December 2012, the Target Group did not have any material investments, acquisitions and disposals.

(b) Management discussion and analysis of the year ended 31 December 2011*Business review and outlook*

For the year ended 31 December 2011, the principal business activities of the Target Group were the operations of department stores and supermarkets, and the wholesale of alcohol, wine and beverages and electrical appliances.

The Target Group's turnover represented the sales value of goods sold to retail and wholesale customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases, and other service fee income.

For the year ended 31 December 2011, the Target Group's turnover and gross profit amounted to approximately RMB884,465,000 and RMB193,901,000, representing an increase of approximately 18.0% and 23.1% from the last corresponding period. The gross profit ratio amounted to approximately 21.9%, representing a slight increase of approximately 0.9%.

The slight increase in gross profit ratio was mainly attributable to a change in the classification by the Target Group of the types of Chinese wine sold, which was offset by the lower gross profit ratio derived from the Target Group's supermarkets segment.

The Target Group would continue to focus on its existing scope of business and step up its efforts to explore opportunities to expand its market share. The Target Group would also continue to implement cost-control measures with respect to their newly opened supermarkets.

Comments on segment information

For the year ended 31 December 2011, the reportable segment revenue of the Target Group's supermarkets segment amounted to approximately RMB531,420,000, representing an increase of approximately 21.6% from the last corresponding period. The increase was mainly due to the expansion of the Target Group's retail network through newly opened supermarkets.

For the year ended 31 December 2011, the reportable segment revenue of the Target Group's department stores segment amounted to approximately RMB41,825,000, representing a slight increase of approximately 3.4% from the last corresponding period.

For the year ended 31 December 2011, the reportable segment revenue of the Target Group's wholesale segment amounted to approximately RMB319,739,000 (including inter-segment sales of RMB8,519,000) representing an increase of approximately 15.7% from the last corresponding period. The increase was mainly due to a change in the classification by the Target Group of the types of Chinese wine sold by the Target Group.

Major Customers and suppliers

The Target Group's customer base was diversified and it had no customer with whom transactions have exceeded 10% of the Target Group's turnover during the year ended 31 December 2011.

No individual supplier accounted for more than 10% of the Target Group's total purchases for the year ended 31 December 2011.

Cash and cash equivalents

The Target Group's cash and cash equivalents comprised cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

At 31 December 2011, the Target Group's cash and cash equivalents amounted to approximately RMB75,260,000.

Employee and remuneration policy

As at 31 December 2011, the Target Group employed 270 full-time employees. All employees were remunerated based on the employees' skill, knowledge, involvement in the Target Group's affairs and the Target Group's performance, as well as the remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy was to ensure the Target Group was able to attract, retain and motivate high-caliber employees.

For the year ended 31 December 2011, salaries, wages and other benefits were recorded by the Target Group amounted to approximately RMB61,560,000.

Dividends

For the year ended 31 December 2011, the Target Group did not declare any final or interim dividends.

Finance costs

For the year ended 31 December 2011, the Target Group's finance costs amounted to approximately RMB17,056,000 representing an increase of approximately RMB7,434,000 or 77.3% from the last corresponding period. Such increase was mainly attributable to increase of interest expenses of the Target Group's bank loans.

Administrative expenses

For the year ended 31 December 2011, the Target Group's administrative expenses amounted to approximately RMB55,464,000 representing an increase of approximately RMB7,408,000 or 15.4% from the last corresponding period. Such increase was mainly attributable to an increase in administrative expenses as a result of the new supermarkets opened by the Target Group.

Material investments, acquisitions and disposals

On 27 April 2011, Jiangdong New JoySun, a wholly-owned subsidiary of New JoySun Supermarket Chain was established. The registered capital of Jiangdong New JoySun, amounting to RMB1,000,000 had been fully paid by cash.

On 21 September 2011, Tonglu Lisi Supermarket, a wholly-owned subsidiary of New JoySun Supermarket Chain was established. The registered capital of Tonglu Lisi Supermarket amounting to RMB1,000,000 had been fully paid by cash.

On 14 November 2011, Ningbo Lisi Supermarket, a wholly-owned subsidiary of New JoySun Supermarket Chain was established. The registered capital of Ningbo Lisi Supermarket amounting to RMB1,000,000 had been fully paid by cash.

ANALYSIS OF FINANCIAL POSITION**Capital Structure, financial resources and liquidity**

Set out below is the capital structure of the Target Group for the three years ended 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	562,458	621,090	697,083
Current assets	1,028,931	1,606,808	1,766,117
Current liabilities	1,113,295	1,303,151	1,576,188
Non-current liabilities	63,286	458,962	458,729
Net assets	414,808	465,785	428,283

The Target Group mainly financed its working capital through funds generated from its operations and borrowings.

The current ratio (represented by current assets as a percentage of current liabilities) of the Target Group has been stable, and was approximately 0.92, 1.23 and 1.12 respectively as at 31 December 2010, 2011 and 2012.

The quick or acid test ratio (represented by comparing current assets less inventories to current liabilities) of the Target Group has also been stable, and was approximately 0.80, 1.08 and 1.00 respectively as at 31 December 2010, 2011 and 2012.

The increase in non-current assets as at 31 December 2010, 2011 and 2012 was mainly attributable to the Target Group's purchased fixed assets and an increase in the valuation of investment properties.

The increase in current assets as at 31 December 2010, 2011 and 2012 was mainly attributable to an increase in the Target Group's trade receivables and restricted bank deposits.

The increase in current liabilities as at 31 December 2010, 2011 and 2012 was mainly attributable to an increase in the Target Group's trade payables and bank and other loans.

Bank loans

Short-term bank loans

As at 31 December 2010, 2011 and 2012, the Target Group's short-term bank loans amounted to approximately RMB663,186,000, RMB378,440,000 and RMB399,900,000 respectively. All these borrowings were due within one year.

As at 31 December 2011 and 2012, the increase in the Target Group's short-term bank loans were attributable to the Target Group's business expansion and the need for additional working capital.

Long-term bank loans

As at 31 December 2010, 2011 and 2012, the Target Group's long-term bank loans amounted to nil, approximately RMB386,650,000 and RMB366,650,000 respectively.

As at 31 December 2010, 2011 and 2012, the Target Group's long-term bank loans were mainly secured by the Target Group's self-owned leasehold land and buildings, investment properties and bank deposits and property, plant and equipment of related companies or guaranteed by related companies.

General

The bank loans were either fixed rate or floating rate loans which carried interest rate for the year ended 31 December 2010, 2011 and 2012 ranging from 5.23% to 8.20%. All the bank loans were denominated in RMB. No financial instruments were used for hedging purposes.

As at 31 December 2010, 2011 and 2012, the Target Group's gearing ratio, measured as the total bank loans of approximately RMB663,186,000, RMB765,090,000 and RMB766,550,000, over the equity of approximately RMB359,309,000, RMB404,509,000 and RMB365,092,000 attributable to equity shareholder of Wealthy Honor, were approximately 184.6%, 189.1% and 210.0%.

Contingent liabilities and pledge of assets

At 31 December 2010, 2011 and 2012, certain bank loans of the Target Group's were secured by the Target Group's leasehold land and buildings, investment properties and bank deposits. The aggregate carrying value of the secured properties and bank deposits are analysed as follows:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pledged for short-term bank loans:			
Leasehold land and buildings	71,380	67,529	25,863
Investment properties	184,290	202,980	310,270
Restricted bank deposits	–	16,300	–
	255,670	286,809	336,133
	255,670	286,809	336,133
Pledged for long-term bank loans:			
Leasehold land and buildings	65,012	76,844	73,823
Investment properties	48,650	51,500	56,310
	113,662	128,344	130,133
	113,662	128,344	130,133

At 31 December 2010, 2011 and 2012, the Target Group pledged certain leasehold land and buildings and investment properties to secure the bank loans borrowed by the related companies under the control of the Controlling Shareholder. The aggregate carrying value of the secured properties are analysed as follows:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted bank deposits	–	–	16,000
Leasehold land and buildings	3,390	51,477	38,613
Investment properties	–	25,510	156,620
	<u>3,390</u>	<u>76,987</u>	<u>211,233</u>

As at 31 December 2010 and 2011 and 2012, the Target Group had no contingent liabilities.

Capital Commitments

As at 31 December 2010, 2011 and 2012, the Target Group had no capital commitments.

Foreign exchange exposure

The Target Group was not exposed to any significant foreign currency risks as the majority of its transactions were denominated in RMB during each of the three years ended 31 December 2010, 2011 and 2012. No hedging against foreign exchange risk was carried out by the Target Group during these periods.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Lisi Group (Holdings) Limited's auditor, Mazars CPA Limited, Certified Public Accountants.



MAZARS CPA LIMITED

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The Directors

Lisi Group (Holdings) Limited

Unit A, 5/F., Garment Centre

576-586 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Lisi Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how (i) the proposed acquisition of 100% equity interest in Wealthy Honor Holdings Limited and its subsidiaries; (ii) the proposed issue of 1,700,000,000 shares of the Company for a total consideration of HK\$510,000,000 at the issue price HK\$0.3 per share; (iii) the proposed issue of convertible bonds in the principal amount of HK\$382,800,000 by the Company which may be converted into 1,276,000,000 shares of the Company at the initial conversion price of HK\$0.3 per conversion share might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 22 May 2013 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules on the unaudited pro forma 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.

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

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 September 2012 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2012 or any future periods.

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 29 (1) of Chapter 4 of the Listing Rules.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 22 May 2013

Fung Shiu Hang

Practising Certificate number: P04793

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. INTRODUCTION

The unaudited pro forma financial information of the Enlarged Group (as defined in this circular) (the “Unaudited Pro Forma Financial Information”) comprising the unaudited pro forma consolidated statement of financial position as at 30 September 2012, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2012, has been prepared by the directors in accordance with paragraph 29 of Chapter 4 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purpose only, to provide information about how the Acquisition (as defined in this circular) might have affected the result of operations, financial position and cash flows of the Group as if the Acquisition had been completed on (i) 30 September 2012 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and (ii) 1 April 2011 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2012 as extracted from the published 2013 interim report of the Group and the audited consolidated statement of financial position of the Target Group (as defined in this circular) as at 31 December 2012 as extracted from the accountants’ reports set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 30 September 2012.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of comprehensive income, the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012 as extracted from the published 2012 annual report of the Group; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statements of cash flows of the Target Group for the year ended 31 December 2012 as extracted from the accountants’ reports set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 1 April 2011.

The Unaudited 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 positions, financial results and cash flows of the Enlarged Group had the Acquisition, the issue of Consideration Shares and Consideration Convertible Bonds been completed as at 30 September 2012 or 1 April 2011 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2012, the annual report of the Group for the year ended 31 March 2012 and other information included elsewhere in this Circular.

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

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP**

	The Group as at 30 September 2012 <i>RMB'000</i>	The Target Group as at 31 December 2012 <i>RMB'000</i>	Pro forma adjustments		The Enlarged Group as at 30 September 2012 <i>RMB'000</i>
			<i>RMB'000</i>	<i>Note</i>	
Non-current assets					
Investment properties	–	446,170	29,918	4(c)	476,088
Property, plant and equipment	239,673	250,913	556,082	4(c)	1,046,668
Goodwill	43,313	–			43,313
Intangible assets	9,266	–			9,266
Available-for-sale financial assets	75,481	–			75,481
Interest in an associate	43,619	–			43,619
	<u>411,352</u>	<u>697,083</u>			<u>1,694,435</u>
Current assets					
Inventories	47,867	186,713			234,580
Trade and other receivables	73,670	213,039			286,709
Amounts due from related companies	–	1,196,567	(1,196,567)	9	–
Convertible bonds – option derivative	–	–	7,140	3	7,140
Restricted bank deposits	–	121,651			121,651
Bank balances and cash	11,530	48,147	(15)	3	593,142
			(5,629)	6	
			539,109	9	
	<u>133,067</u>	<u>1,766,117</u>			<u>1,243,222</u>

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

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP (CONTINUED)**

	The Group as at 30 September 2012 <i>RMB'000</i>	The Target Group as at 31 December 2012 <i>RMB'000</i>	Pro forma adjustments		The Enlarged Group as at 30 September 2012 <i>RMB'000</i>
			<i>RMB'000</i>	<i>Note</i>	
Current liabilities					
Trade and other payables	180,976	510,627			691,603
Tax payable	1,002	8,203			9,205
Amount due to related companies	–	657,458	(657,458)	9	–
Obligation under finance lease	32	–			32
Current portion of bank borrowings	149,622	399,900			549,522
	<u>331,632</u>	<u>1,576,188</u>			<u>1,250,362</u>
Net current (liabilities) assets	<u>(198,565)</u>	<u>189,929</u>			<u>(7,140)</u>
Total assets less current liabilities	<u>212,787</u>	<u>887,012</u>			<u>1,687,295</u>
Non-current liabilities					
Obligation under finance lease	8	–			8
Long-term portion of bank borrowings	–	366,650			366,650
Convertible bonds	–	–	224,333	3	224,333
Deferred tax liabilities	5,012	92,079	15,098	3	258,689
			146,500	5	
	<u>5,020</u>	<u>458,729</u>			<u>849,680</u>
NET ASSETS	<u><u>207,767</u></u>	<u><u>428,283</u></u>			<u><u>837,615</u></u>

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

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP (CONTINUED)**

	The Group as at 30 September 2012 <i>RMB'000</i>	The Target Group as at 31 December 2012 <i>RMB'000</i>	Pro forma adjustments		The Enlarged Group as at 30 September 2012 <i>RMB'000</i>
			<i>RMB'000</i>	<i>Note</i>	
Capital and reserves					
Share capital	22,724	121,146	13,710	2	36,434
			(121,146)	4(a)	
Reserves	185,043	243,946	294,758	2	692,304
			76,404	3	
			(243,946)	4(a)	
			141,728	4(b)	
			(5,629)	6	
	_____	_____			_____
Equity attributable to equity holders of the Company	207,767	365,092			728,738
Non-controlling interests	–	63,191	45,686	4(c)	108,877
	_____	_____			_____
TOTAL EQUITY	207,767	428,283			837,615
	<u><u>207,767</u></u>	<u><u>428,283</u></u>			<u><u>837,615</u></u>

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

**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP**

	The Group for the year ended 31 March 2012 RMB'000	The Target Group for the year ended 31 December 2012 RMB'000	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 RMB'000
			<i>RMB'000</i>	<i>Note</i>	
Turnover	393,890	844,146			1,238,036
Cost of sales	(297,431)	(658,586)			(956,017)
Gross profit	96,459	185,560			282,019
Other revenue	3,571	14,049			17,620
Other income	6,064	189			6,253
Selling and distribution costs	(18,884)	(98,798)			(117,682)
Administrative and other operating expenses	(56,995)	(62,152)	(5,629)	6	(139,855)
			(15,079)	8	
Finance costs	(14,378)	(12,436)	(33,509)	7	(60,323)
Valuation gains on investment properties	–	32,160			32,160
Share of results of an associate	1,855	–			1,855
Profit before taxation	17,692	58,572			22,047
Income tax expense	(7,769)	(18,192)	4,001	7	(18,190)
			3,770	8	
Profit for the year	9,923	40,380			3,857

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

**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP (CONTINUED)**

	The Group for the year ended 31 March 2012 RMB'000	The Target Group for the year ended 31 December 2012 RMB'000	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 RMB'000
			<i>RMB'000</i>	<i>Note</i>	
Other comprehensive income					
Surplus on revaluation of a property, transferred from owner-occupied leasehold land and buildings to investment properties	–	35,132			35,132
Exchange differences on translating financial statements of foreign operations	2,561	–			2,561
Exchange differences on translating inter-company balances with foreign operations	(4,617)	–			(4,617)
	<u>(2,056)</u>	<u>35,132</u>			<u>33,076</u>
Total comprehensive income for the year	<u><u>7,867</u></u>	<u><u>75,512</u></u>			<u><u>36,933</u></u>
Profit (Loss) for the year attributable to:					
Equity holders of the Company	9,923	34,571	(5,629) (29,508) (10,110)	6 7 8	(753)
Non-controlling interests	–	5,809	(1,199)	8	4,610
	<u><u>9,923</u></u>	<u><u>40,380</u></u>			<u><u>3,857</u></u>

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

**C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP (CONTINUED)**

	The Group for the year ended 31 March 2012 <i>RMB'000</i>	The Target Group for the year ended 31 December 2012 <i>RMB'000</i>	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 <i>RMB'000</i>
			<i>RMB'000</i>	<i>Note</i>	
Total comprehensive income for the year attributable to:					
Equity holders of the Company	7,867	67,946	(5,629)	6	30,566
			(29,508)	7	
			(10,110)	8	
Non-controlling interests	–	7,566	(1,199)	8	6,367
	<u>7,867</u>	<u>75,512</u>			<u>36,933</u>
	<i>RMB</i>				<i>RMB</i>
Earnings (Losses) per share					
Basic and diluted	<u>0.40 cent</u>			10	<u>(0.02) cent</u>

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

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2012 RMB\$'000	The Target Group for the year ended 31 December 2012 RMB\$'000	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 RMB'000
			<i>RMB'000</i>	<i>Note</i>	
OPERATING ACTIVITIES					
Profit before taxation	17,692	58,572	(5,629)	6	22,047
			(33,509)	7	
			(15,079)	8	
Allowance for inventory obsolescence	141	–			141
Amortisation of intangible assets	2,574	–			2,574
Depreciation of property, plant and equipment, net	19,183	21,309	15,079	8	55,571
Dividend income	(9,159)	–			(9,159)
Exchange difference, net	(2,494)	–			(2,494)
Finance cost	–	12,436	33,509	7	45,945
Gain on disposal of property, plant and equipment	(1,687)	(17)			(1,704)
Interest income	(162)	(4,046)			(4,208)
Interest expense	14,378	–			14,378
Reversal of impairment loss on property, plant and equipment	(770)	–			(770)
Valuation gains on investment properties	–	(32,160)			(32,160)
Share of results of an associate	(1,855)	–			(1,855)
Write-back of other payables	(2,737)	–			(2,737)
Changes in working capital:					
Inventories	22,130	14,644			36,774
Trade and other receivables	(17,925)	(113,136)			(131,061)
Trade and other payables	(5,769)	158,764			152,995
Cash generated from operating activities	33,540	116,366			144,277
Income tax paid	(8,512)	(9,373)			(17,885)
Interest paid	(14,373)	–			(14,373)
Net cash from operating activities	10,655	106,993			112,019

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

**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
ENLARGED GROUP (CONTINUED)**

	The Group for the year ended 31 March 2012 RMB\$'000	The Target Group for the year ended 31 December 2012 RMB\$'000	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 RMB'000
			<i>RMB'000</i>	<i>Note</i>	
INVESTING ACTIVITIES					
Interest received	162	4,046			4,208
Dividend received	9,159	–			9,159
Advance to an associate	(2,000)	–			(2,000)
Net increase in the amounts due from related companies	–	(203,060)			(203,060)
Capital injection to an associate	(25,397)	–			(25,397)
Deposit paid for subscription of equity interest in an associate	(490)	–			(490)
Acquisition of available for sale financial asset	(7,394)	–			(7,394)
Purchase of property, plant and equipment	(27,911)	(26,994)			(54,905)
Proceeds on disposal of property, plant and equipment	2,946	71			3,017
Decrease (increase) in pledged deposits	875	(27,740)			(26,865)
	<hr/>	<hr/>			<hr/>
Net cash used in investing activities	(50,050)	(253,677)			(303,727)
	<hr/>	<hr/>			<hr/>

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

**D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
ENLARGED GROUP (CONTINUED)**

	The Group for the year ended 31 March 2012 RMB\$'000	The Target Group for the year ended 31 December 2012 RMB\$'000	Pro forma adjustments		The Enlarged Group for the year ended 31 March 2012 RMB'000
			<i>RMB'000</i>	<i>Note</i>	
FINANCING ACTIVITIES					
Advance from related companies	11,270	–			11,270
Repayment of loan from a shareholder	(514)	–			(514)
Repayment of bank and other borrowings	(110,697)	(334,440)			(445,137)
New bank borrowings	136,066	518,900			654,966
Issue of convertible bonds	–	–	(15)	3	(15)
Interest paid for convertible bonds	–	–	(9,261)	7	(9,261)
Finance costs paid	–	(64,889)			(64,889)
Repayment of capital elements of obligation under finance leases	(30)	–			(30)
Finance charge on obligation under finance leases	(5)	–			(5)
	<u>36,090</u>	<u>119,571</u>			<u>146,385</u>
Net cash from financing activities	36,090	119,571			146,385
Net (decrease) in cash and cash equivalents	(3,305)	(27,113)			(45,323)
Cash and cash equivalents at beginning of year	14,592	75,260			89,852
Effect of foreign exchange rate changes, net	(214)	–			(214)
	<u>11,073</u>	<u>48,147</u>			<u>44,315</u>
Cash and cash equivalents at end of year	11,073	48,147			44,315

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes to the Unaudited Pro Forma Financial Information

1. In accordance with the Sale & Purchase Agreement (as defined in this circular), the consideration for the Acquisition of RMB720,000,000 (equivalent to approximately HK\$892,800,000) was satisfied: (i) HK\$510,000,000 (equivalent to approximately RMB411,290,000) by the issue of Consideration Shares (as defined in this circular) by the Company at the Completion Date (as defined in this circular); and (ii) HK\$382,800,000 (equivalent to approximately RMB308,710,000) by the issue of the Consideration Convertible Bonds (as defined in this circular) by the Company at the Completion Date. Under applicable accounting standards, the fair value of the consideration of the Consideration Shares would be calculated in accordance with the Share price at the Completion Date. Based on the closing price of Shares HK\$0.225 and HK\$0.52 as of 30 September 2012 and 1 April 2011 respectively, the value of the Consideration Shares would be HK\$382,500,000 (equivalent to approximately RMB308,468,000) and HK\$884,000,000 (equivalent to approximately RMB712,903,000) respectively.

An analysis of the total cost of the Acquisition as if the Acquisition had been completed on 30 September 2012 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and 1 April 2011 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is set out as follows:

	At 30 September 2012	At 1 April 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Consideration for the Acquisition:		
Consideration Shares (<i>note 2</i>)	308,468	712,903
Consideration Convertible Bonds (<i>note 3</i>)	308,710	308,710
	617,178	1,021,613
Total cost of the Acquisition (<i>note 4</i>)	617,178	1,021,613

2. The value of the Consideration Shares issued for the Acquisition was based on 1,700,000,000 Shares of HK\$0.01 each issued at HK\$0.225 and HK\$0.52 per share, the closing price of Shares on 30 September 2012 and 1 April 2011 respectively. The number of the Consideration Shares to be issued on the Completion Date is fixed at 1,700,000,000 in accordance with the Sale & Purchase Agreement (as defined in this circular). However, the fair value of the Consideration Shares issued as consideration for the Acquisition so arrived at as aforesaid of HK\$382,500,000 (equivalent to approximately RMB308,468,000) and HK\$884,000,000 (equivalent to approximately RMB712,903,000) and used for the purpose of the preparation of the Unaudited Pro Forma Financial Information set out above may be substantially different from their fair value based on the Share price on the Completion Date, being the date the Group obtains control over the Target Group. Upon completion of the Acquisition, the fair value of the identifiable assets and liabilities of the Target Group will have to be reassessed. The identifiable assets and liabilities of the Target Group at the Completion Date of the Acquisition may be substantially different from the fair value of the identifiable assets and liabilities used in the preparation of this Unaudited Pro Forma Financial Information. Therefore, whether a goodwill or gain on bargain purchase is to be arising from the Acquisition will depend on the final amount of the identifiable assets and liabilities and the Share price on the Completion Date.

Based on the closing price of Shares HK\$0.395 as of the Latest Practicable Date, the value of the Consideration Shares to be issued on the Completion Date will be HK\$671,500,000 (equivalent to approximately RMB541,532,000) and there will be goodwill arising from the Acquisition of approximately RMB91,336,000 assuming that the fair value of the identifiable assets and liabilities at the Completion Date is not changed. The goodwill arising from the Acquisition is subjected to impairment review in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" in determining whether there is any indication that the goodwill may be impaired. The directors of the Company have assessed the carrying value of the goodwill arising from the Acquisition and considered that there are no indications that the value of the goodwill may be impaired.

Upon the issuance of the 1,700,000,000 Consideration Shares by the Company in connection with the Acquisition at value of HK\$382,500,000 (approximately RMB308,468,000), the share capital and the reserves of the Company will be increased by approximately HK\$17,000,000 (equivalent to approximately RMB13,710,000) and HK\$365,500,000 (equivalent to approximately RMB294,758,000), respectively.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

3. The Consideration Convertible Bonds with an aggregate principal amount of HK\$382,800,000 (equivalent to approximately RMB308,710,000) issued by the Company as part of the consideration for the Acquisition are recognised in the Unaudited Pro Forma Consolidated Financial Information in accordance with the Hong Kong Accounting Standards 32 “Financial Instruments: Disclosures and Presentation”, issued by the HKICPA (“HKAS 32”), which requires the Consideration Convertible Bonds be separated into liability portion and equity portion. The principal amount of the Consideration Convertible Bonds to be issued for the Acquisition is fixed at HK\$382,800,000 (equivalent to approximately RMB308,710,000) and the conversion price of the Consideration Convertible Bonds is subject to adjustments for subdivision or consolidation of Shares or right issues in accordance with the Sale & Purchase Agreement (as defined in this circular).

The principal terms of the Consideration Convertible Bonds are disclosed in pages 12 to 14 of this circular. In accordance with the term of the Consideration Convertible Bonds, the Company may redeem all or part, from time to time, of the Consideration Convertible Bonds at 100% of the outstanding principal amount and any unpaid interest. On initial recognition of the Consideration Convertible Bonds, the value of any derivative features embedded in the instruments (i.e. the issuer’s call option) is required to be included in the liability component under HKAS 32. However, as such call option is not closely related to the host bonds, it is separated out of the liability component and accounted for separately as convertible bonds – option derivative under current assets.

In preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the fair values of the liability portion and option derivative of the Consideration Convertible Bonds were approximately HK\$278,173,000 (equivalent to approximately RMB224,333,000) and approximately HK\$8,854,000 (equivalent to approximately RMB7,140,000) respectively, which reflected their fair values at 30 September 2012 as if the Consideration Convertible Bonds were issued on that date. The fair values of the liability portion and option derivative of the Consideration Convertible Bonds were calculated based on the valuation report issued by Roma Appraisals Limited, an independent professional valuer. The residual amount of approximately HK\$113,481,000 (equivalent to approximately RMB91,517,000), representing the value of the equity conversion component, is included in the convertible bonds equity reserve of the Owners’ equity.

The fair values of the liability portion and option derivative of the Consideration Convertible Bonds were calculated using the Binomial model after considering the terms and conditions of the Consideration Convertible Bonds. The inputs into the model were as follow:

Stock price (HK\$)	0.225
Exercise price (HK\$)	0.300
Discounted rate (%)	14.972
Risk-free rate (%)	0.241
Expected bond period (years)	2.998
Expected volatility (%)	70.953
Expected dividend yield (%)	0.000

The estimate transaction cost directly attributable to the issue of Consideration Convertible Bonds amounted to approximately HK\$19,000 (equivalent to approximately RMB15,000). For the purpose of the Unaudited Pro Forma Financial Information, these expenses are allocated as part of the equity portion of the Consideration Convertible Bonds to be recognised as equity. The equity portion of the Consideration Convertible Bonds net of the estimated transaction cost was approximately HK\$113,462,000 (equivalent to approximately RMB91,502,000).

The adjustment of approximately RMB15,098,000 represents the deferred tax liability arising from the issue of the Consideration Convertible Bonds at the Hong Kong Profits Tax rate of 16.5%. The adjustment has no continuing financial effect on the Unaudited Pro Forma Financial Information.

Based on the closing price of Shares HK\$0.395 as of the Latest Practicable Date, the conversion price of the Consideration Convertible Bonds will not be changed assuming that there is no subdivision or consolidation of Shares or right issues. The fair values of the liability component, equity component and the option derivative of the Consideration Convertible Bonds at the Completion Date may be substantially different from those used in preparing the Unaudited Pro Forma Financial Information as stated above but the amount of gain on bargain purchase arising from the Acquisition will not be changed assuming that the fair value of the identifiable assets and liabilities at the Completion Date is not changed. The Company will continue to adopt the same accounting treatment on recognition of the Consideration Convertible Bonds in subsequent period.

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

4. The identifiable assets and liabilities of the Target Group acquired by the Group are accounted for in the unaudited pro forma consolidated statement of financial position of the Enlarged Group at fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “*Business Combinations*” (“HKFRS 3”). The financial information of the Target Group as contained in the Accountants’ Report under Appendix II of this Circular was prepared using the merger basis of accounting as the major components of the Target Group were under the common control of the Controlling Shareholder. Under HKFRS 3, applying the acquisition method requires the identification of acquirer. An acquirer is usually the entity that issues its equity interests as consideration. Also, an acquirer is usually the entity whose former management dominates the management of the combined entity.

Having considered the circumstances of the Acquisition, including the settlement of consideration by issuing the Company’s equity interests and the fact that the Board will retain the responsibility of monitoring and supervising the corporate management and financial affairs of the Target Group, while the former management of the Target Group would not be given the power to govern the financial and operating policies of the Enlarged Group as a result of the Acquisition, it is considered appropriate to adopt the acquisition method in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group. The Company will continue to adopt the acquisition method on this Acquisition in subsequent period.

Related pro forma adjustments are as follows with the assumption that the Acquisition had been completed on 30 September 2012:

- (a) elimination of the Target Company’s share capital and the Target Group’s pre-acquisition reserves.
- (b) a gain on bargain purchase of approximately RMB141,728,000 being the excess amount of the Group’s share of the fair value of the net identifiable assets of the Target Group as at 31 December 2012 over the consideration paid as if the Acquisition had been completed on 30 September 2012 while a goodwill of approximately RMB262,707,000 being the excess amount of the consideration paid over the Group’s share of the fair value of the net identifiable assets of the Target Group as at 31 December 2012 as if the Acquisition had been completed on 1 April 2011. The accounting policies adopted in preparing these adjustments are applied on the same basis as the Group would normally adopt in preparing its annual financial statements.

	At 30 September 2012	At 1 April 2011
	<i>RMB’000</i>	<i>RMB’000</i>
Cost of the Acquisition (<i>note 1</i>)	617,178	1,021,613
Identifiable net assets of the Target Group as at 31 December 2012	428,283	428,283
Fair value adjustment on investment properties and leasehold land and buildings (<i>note 4(c)</i>)	586,000	586,000
Deferred tax liabilities recognised in respect of fair value adjustment (<i>note 5</i>)	(146,500)	(146,500)
Fair value of identifiable net assets of the Target Group	867,783	867,783
Non-controlling interests in identifiable net assets of the Target Group	(108,877)	(108,877)
Fair value of identifiable net assets of the Target Group acquired attributable to equity holders of the Company	758,906	758,906
(Gain on bargain purchase) Goodwill arising from the Acquisition	(141,728)	262,707

Upon completion of the Acquisition, the fair value of the identifiable assets and liabilities of the Target Group will have to be reassessed. The identifiable assets and liabilities of the Target Group at the Completion Date of the Acquisition may be substantially different from the fair value of the identifiable assets and liabilities used in the preparation of this Unaudited Pro Forma Financial Information, the final amount of the identifiable assets and liabilities, as well as gain on bargain purchase or goodwill and non-controlling interests to be recognised in connection with the Acquisition at the date of the completion of the Acquisition may be different from the estimated amount stated herein.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
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- (c) The estimate fair value adjustment on investment properties and leasehold land and buildings are determined by reference to the valuation report by DTZ Debenham Tie Leung Limited dated 22 May 2013 and the total estimated fair value of investment properties and leasehold land and buildings is RMB1,220,345,000 at 31 March 2013, which is attributable to both equity owners of the Company and the non-controlling shareholders. Comparing with the carrying amounts of investment properties and property, plant and equipment of RMB446,170,000 and RMB188,175,000 respectively, fair value adjustment of RMB29,918,000 and RMB556,082,000 were made accordingly.

The fair value of investment properties and leasehold land and buildings are as follow:

	<i>RMB'000</i>
Net book value as at 31 December 2012	
Investment properties	446,170
Leasehold land and buildings	188,175
	634,345
Fair value with reference to the valuation report in Appendix V to this circular	
Investment properties	476,088
Leasehold land and buildings	744,257
	1,220,345
Fair value adjustment	
Investment properties	29,918
Leasehold land and buildings	556,082
	586,000
Fair value adjustment, net of tax	439,500
Attributable to:	
Equity holders of the Company	393,814
Non-controlling interests	45,686

The fair value adjustment, net of tax, was allocated between equity owners of the Company and non-controlling interests by reference to their respective proportionate share of the Target Group's net assets.

- (d) For the purpose of preparing the Unaudited Pro Forma Financial Information, except for investment properties and leasehold land and buildings, it is assumed that the fair values of other identifiable assets and liabilities of the Target Group approximate to their carrying amounts.
5. The adjustment relates to the deferred tax liabilities attributed to the fair value adjustment of the investment properties and leasehold land and buildings of RMB146,500,000 of the Target Group calculated at the statutory tax rate of 25%.
6. The adjustment represents the estimated transaction cost directly attributable to the Acquisition of approximately HK\$5,790,000 (equivalent to approximately RMB5,629,000). The adjustment has no continuing financial effect on the Unaudited Pro Forma Financial Information.
7. The adjustment of approximately RMB33,509,000 comprises of (i) approximately RMB9,261,000 for the 3% coupon interest expenses and (ii) approximately RMB24,248,000 imputed interest expenses on the Consideration Convertible Bonds for the year ended 31 March 2012, assuming the issue of the Consideration Convertible Bonds had been completed on 1 April 2011. The adjustment has a continuing financial effect on the Unaudited Pro Forma Financial Information.
- The adjustment of approximately RMB4,001,000 represents the deferred tax effect of the imputed interests of the Consideration Convertible Bonds for the year ended 31 March 2012 at the Hong Kong Profits Tax rate of 16.5%. The adjustment has a continuing financial effect on the Unaudited Pro Forma Financial Information.
8. The adjustment of approximately RMB15,079,000 represents additional depreciation charges on property, plant and equipment for the year ended 31 March 2012 as a result of fair value adjustment on leasehold land and buildings of the Target Group. The adjustment has a continuing financial effect on the Unaudited Pro Forma Financial Information.
- The adjustment of approximately RMB3,770,000 represents the deferred tax effect of additional depreciation charges on property, plant and equipment for the year ended 31 March 2012 calculated at the statutory tax rate of 25%. The adjustment has a continuing financial effect on the Unaudited Pro Forma Financial Information.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
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9. This adjustment reflects the settlement of the amounts due from (to) related companies under the control of the Controlling Shareholder upon the Completion Date (as defined in this circular) as detailed in the section headed “Letter from the Board” on pages 16 of this circular.

10. The calculation of pro forma basic losses per share is based on the unaudited pro forma consolidated loss of RMB753,000 of the Enlarged Group attributable to equity holders of the Company and the weighted average number of the Company’s ordinary shares of 4,176,963,794 in issue immediately after the allotment and issue of the Consideration Shares.

The pro forma diluted losses per share is the same as pro forma basic losses per share as the effect of converting Consideration Convertible Bonds is anti-dilutive.

11. Under the normal business operation of New JoySun Supermarket Chain, new supermarkets would be opened and existing supermarkets would be closed down based on commercial decisions as detailed in the section headed “Letter from the Board” on page 32 of this circular. Since the cessation of operation of the four supermarkets is not directly related to the Acquisition, no pro forma adjustment was considered necessary.

12. The financing activities of the Target Group were centrally managed and recorded by New JoySun, one of the Target Group’s subsidiaries. These financing activities included borrowing loans from external banks and granting advances to other subsidiaries within the Target Group and other related parties not within the Target Group. The Target Group transferred the activities to an entity outside the Target Group because the Target Group will no longer manage or participate in a centralized cash management arrangement with subsidiaries outside the Group. Since the transfer is not directly related to the Acquisition, no pro forma adjustment was considered necessary.

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties in the PRC as at 31 March 2013.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

22 May 2013

The Board of Directors
Lisi Group (Holdings) Limited
Unit A, 5/F., Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Lisi Group (Holdings) Limited (referred to as the “Company”) for us to value the properties (the “Properties”) held by 寧波新江廈股份有限公司 (New JoySun Corp.*) and its subsidiaries (together referred to as “New JoySun Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of market values in existing state of the Properties as at 31 March 2013 (the “date of valuation”).

Definition of Market Value

Our valuation of each of the Property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors 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 where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis and Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have assumed that that transferable land use rights in respect of the Properties for specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by New JoySun Group and the PRC legal opinion of the legal adviser regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

In valuing the Properties which are held by New JoySun Group for investment and owner-occupied in the PRC respectively, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, and where appropriate, we have also valued the Properties by Income Approach by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the Properties.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by New JoySun Group and the opinion of the PRC legal adviser of New JoySun Group, Jia Yuan Law Offices (嘉源律師事務所) as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, completion dates of building, particulars of occupancy, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by New JoySun Group which is material to the valuation. We were also advised by New JoySun Group that no material facts have been omitted from the information supplied.

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by New JoySun Group with copies or extracts of documents in relation to the titles to the Properties. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Corrine Shen (Registered China Real Estate Appraiser), Stephanie Shen (Registered China Real Estate Valuer) and Snow Xu (MRICS) have inspected the exterior and, wherever possible, the interior of the Properties during 5 – 10 November 2012. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation or any other structural defects; no tests were carried out to any of the services. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in the PRC.

Please note that we have issued a property valuation report on 22 February 2013 in respect of portion of the Properties which are assigned as investment properties with the dates of valuation as at 31 December 2008, 31 December 2009, 31 December 2010, 30 September 2011, 31 December 2011, 30 September 2012 respectively to the Company for auditing purpose; we have also issued a property valuation report on 8 April 2013 in respect of portion of the Properties which are assigned as investment properties with the date of valuation as at 31 December 2012. Copies of these property valuation reports on 22 February 2013 and 8 April 2013 are shown as Appendix VI to the circular.

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 31 March 2013 <i>RMB</i>	New JoySun Group's attributable interest %	Market Value in existing state as at 31 March 2013 attributable to New JoySun Group <i>RMB</i>
Properties held by New JoySun Group for investment and owner-occupation in the PRC			
1. New JoySun Department Store (Jiangdong), No. 301-305, East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC	554,095,000	100	554,095,000
2. A retail unit, No. 37, Dahe Xiang, Jiangdong District, Ningbo, Zhejiang Province, the PRC	No commercial value	100	No commercial value
3. Two warehouses, Dongying Xincun, Tongwan Cun, Xiaying Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	3,680,000	100	3,680,000
4. Warehouse Block C, Dongying Xincun, Tongwan Cun, Xiaying Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	6,960,000	100	6,960,000
5. Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC	95,890,000	100	95,890,000
6. New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	50,580,000	82	41,475,600

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Property	Market Value in existing state as at 31 March 2013 <i>RMB</i>	New JoySun Group's attributable interest <i>%</i>	Market Value in existing state as at 31 March 2013 attributable to New JoySun Group <i>RMB</i>
7. New JoySun Supermarket (Jishigang), No. 5, East Shizi Road, Jishigang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	13,720,000	82	11,250,400
8. New JoySun Supermarket (Qiu'ai), No. 80, Zhenzhong Road, Qiu'ai Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	34,680,000	82	28,437,600
9. New JoySun Supermarket (Xianxiang), South Road, Xiansan Cun, Xianxiang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	21,340,000	82	17,498,800
10. New JoySun Supermarket (Gulin), Huancheng Road, Gulin Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	34,300,000	82	28,126,000
11. New JoySun Supermarket (Tangxi), Tangtou Cun, Tangxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	12,630,000	82	10,356,600
12. New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	62,370,000	82	51,143,400

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Property	Market Value in existing state as at 31 March 2013 <i>RMB</i>	New JoySun Group's attributable interest <i>%</i>	Market Value in existing state as at 31 March 2013 attributable to New JoySun Group <i>RMB</i>
13. New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	158,080,000	82	129,625,600
14. New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	103,920,000	82	85,214,400
15. New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	21,790,000	82	17,867,800
16. New JoySun Supermarket (Zhanqi), Nanyi Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	6,240,000	82	5,116,800
17. New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	1,000,000	82	820,000
18. New JoySun Supermarket (Qiu'er), Shengmo Road, Qiu'ai Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	7,760,000	82	6,363,200

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Property	Market Value in existing state as at 31 March 2013 <i>RMB</i>	New JoySun Group's attributable interest <i>%</i>	Market Value in existing state as at 31 March 2013 attributable to New JoySun Group <i>RMB</i>
19. New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	31,310,000	82	25,674,200
20. New JoySun Supermarket (Guangxi), Block B, Guangxi Xincun, Yinjiang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	No commercial value	82	No commercial value
Total in RMB:	1,220,345,000		1,119,595,400

Explanation

Following completion of the Acquisition, Wealthy Honor Holdings Limited indirectly owns 95% equity interest in New JoySun Group. The group of companies consisting of Wealthy Honor Holdings Limited and all its subsidiaries are thus together as “the Target Group”. However, the interests in the Properties are shown herewith on New JoySun Group level for ease of reference.

VALUATION CERTIFICATE

Properties held by New JoySun Group for investment and owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013														
1. New JoySun Department Store (Jiangdong), No. 301-305, East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Department Store (Jiangdong) comprises a 7-storey commercial building erected on a parcel of land with a total site area of approximately 3,449.75 sq m and completed in 1990's.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 16,762.68 sq m (exclusive of approximately 2,400 sq m without legal titles on Levels 5, 6 and 7):-</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 1,379.17 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 20 December 2021 at a total monthly rent of approximately RMB180,810.</p> <p>The remaining portion of the Property, with a total gross floor area of 15,383.51 sq m, was owner-occupied.</p>	<p>RMB554,095,000</p> <p>(100% interest attributable to New JoySun Group: RMB554,095,000)</p>														
	<table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>3,309.51</td> </tr> <tr> <td>Level 2</td> <td>3,811.12</td> </tr> <tr> <td>Level 3</td> <td>3,869.39</td> </tr> <tr> <td>Level 4</td> <td>3,078.26</td> </tr> <tr> <td>Levels 5 & 6</td> <td>2,694.40</td> </tr> <tr> <td>Total</td> <td>16,762.68</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	3,309.51	Level 2	3,811.12	Level 3	3,869.39	Level 4	3,078.26	Levels 5 & 6	2,694.40	Total	16,762.68		
Level	Approximate Gross Floor Area (sq m)																
Level 1	3,309.51																
Level 2	3,811.12																
Level 3	3,869.39																
Level 4	3,078.26																
Levels 5 & 6	2,694.40																
Total	16,762.68																
	<p>The Property is located at Jiangdong District in Ningbo, which is in urban area of Ningbo. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 29 August 2047 for commercial and service uses.</p>																

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to five State-owned Land Use Rights Certificates YGY Nos. (2007) 0102746-0102750 issued by Ningbo Municipal Government dated 26 September 2007, the land use rights of the Property, comprising a total site area of 3,449.75 sq m, have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*) for a land use term due to expire on 29 August 2047 for commercial and service uses. The details of the Property are summarized as follows:–

Certificate No.	Portion	Site Area (sq m)
YGY No. (2007) 0102747	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	681.10
YGY No. (2007) 0102746	(2-1), (2-3), (2-7), (2-8)	784.33
YGY No. (2007) 0102748	(3-1), (3-3), (3-4), (3-7), (3-10)	796.32
YGY No. (2007) 0102750	(4-3), (4-4), (4-11)	633.50
YGY No. (2007) 0102749	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	554.50
Total		3,449.75

- (2) According to five Building Ownership Certificates YFQZJDZ Nos. 200504423-200504427 issued by Ningbo Municipal Building Administrative Bureau dated 16 February 2005, the building ownership of the Property, comprising a total gross floor area of approximately 16,762.68 sq m have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*). The details of the Property are summarized as follows:–

Certificate No.	Portion	Gross Floor Area (sq m)
YFQZJDZ No. 200504423	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	3,309.51
YFQZJDZ No. 200504424	(2-1), (2-3), (2-7), (2-8)	3,811.12
YFQZJDZ No. 200504425	(3-1), (3-3), (3-4), (3-7), (3-10)	3,869.39
YFQZJDZ No. 200504426	(4-3), (4-4), (4-11)	3,078.26
YFQZJDZ No. 200504427	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	2,694.40
Total		16,762.68

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 2,400 sq m without legal titles. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330200000003464 dated 10 July 2012, 寧波新江廈股份有限公司 (New JoySun Corp.*) was established a limited liability company with registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.
- (4) According to the PRC legal opinion:
- (i) 寧波新江廈股份有限公司 (New JoySun Corp.*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈股份有限公司 (New JoySun Corp.*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈股份有限公司 (New JoySun Corp.*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
2. A retail unit, No. 37, Dahe Xiang, Jiangdong District, Ningbo, Zhejiang Province, the PRC	The Property comprises a retail unit on Level 1 of a 7-storey building erected on a parcel of land with an attributable site area of approximately 17.75 sq m and completed in 1990's.	According to the information provided by New JoySun Group, as at the date of valuation, the Property was owner-occupied.	No commercial value (See Note (1))
	According to the information provided by New JoySun Group, the Property has a gross floor area of approximately 124.22 sq m.		
	The Property is located at Jiangdong District in Ningbo, which is in urban area of Ningbo. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.		
	The land use rights of the Property have been allocated for commercial and services uses.		

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value of the Property of a total gross floor area of 124.22 sq m as the land use rights of the Property have been allocated. The market value of the Property in its existing state as at 31 March 2013, assuming that the land use rights has been granted and the land grant premium has been fully paid, would be RMB2,710,000.
- (2) According to State-owned Land Use Rights Certificate YGY No. (2002) 2630 issued by Ningbo Municipal Land Resources Bureau dated 15 April 2002, the land use rights of the Property, which situated at No. 37, Dahe Xiang, Jiangdong, comprising an attributable site area of 17.75 sq m, have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*) allocated for commercial and services uses.
- (3) According to Building Ownership Certificate YFQZZYZ No. 99000442 issued by Ningbo Real Estate Administrative Bureau dated 18 June 1999 and the information provided by the New JoySun Group, the building ownership of the Property, which situated at No. 37, Dahe Xiang, Jiangdong District, Ningbo, comprising a gross floor area of approximately 124.22 sq m have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*).
- (4) According to Business Licence No. 330200000003464 dated 10 July 2012, 寧波新江廈股份有限公司 (New JoySun Group Corp.*) was established a limited liability company with registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.
- (5) According to the PRC legal opinion:
 - (i) 寧波新江廈股份有限公司 (New JoySun Corp.*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈股份有限公司 (New JoySun Corp.*) has not settled the land premium of the Property and has the rights to use the Property; and
 - (iii) 寧波新江廈股份有限公司 (New JoySun Corp.*) is the registered land owner of the allocated land nature.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes (allocated land)
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013												
3. Two warehouses, Dongying Xincun, Tongwan Cun, Xiaying Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>The Property comprises two warehouses on Level 1 of two 6-storey buildings known as Block No. 99 and Block No. 100 respectively and two blocks of single-storey guard room, erected on a parcel of land with an attributable site area of approximately 1,009.90 sq m and completed in 1998.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 1,784.56 sq m:–</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>No. 2, Block No. 99</td> <td>870.79</td> </tr> <tr> <td>No. 5, Block No. 99</td> <td>32.22</td> </tr> <tr> <td>No. 1, Block No. 100</td> <td>870.79</td> </tr> <tr> <td>No. 4, Block No. 100</td> <td>10.76</td> </tr> <tr> <td>Total</td> <td>1,784.56</td> </tr> </tbody> </table>	No.	Approximate Gross Floor Area (sq m)	No. 2, Block No. 99	870.79	No. 5, Block No. 99	32.22	No. 1, Block No. 100	870.79	No. 4, Block No. 100	10.76	Total	1,784.56	<p>According to the information provided by New JoySun Group, as at the date of valuation, the Property was owner-occupied.</p>	<p>RMB3,680,000</p> <p>(100% interest attributable to New JoySun Group: RMB3,680,000)</p>
No.	Approximate Gross Floor Area (sq m)														
No. 2, Block No. 99	870.79														
No. 5, Block No. 99	32.22														
No. 1, Block No. 100	870.79														
No. 4, Block No. 100	10.76														
Total	1,784.56														
	<p>The Property is located at Dongying Xincun, Xiaying Town, Yinzhou District in Ningbo, which is in urban area of Xiaying Town. Developments nearby are mainly residential developments. According to New JoySun Group, the Property is for industrial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 22 December 2043 for warehouse use.</p>														

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (98) 12-273 issued by Ningbo Yin County Land Administrative Bureau dated 18 December 1998, the land use rights of the Property, which situated at Tongwang Cun, Xiaying Town, Yin County, comprising an attributable site area of 1,009.90 sq m, have been vested in 寧波新江廈商城 (Ningbo New JoySun Store*) granted for a land use term due to expire on 22 December 2043 for warehouse use.

According to the information provided by New JoySun Group, we have noted that 寧波新江廈商城 (Ningbo New JoySun Store*) was the predecessor company of 寧波新江廈股份有限公司 (New JoySun Corp.*).

- (2) According to two Building Ownership Certificates YFQZXZ Nos. Q199900227 and Q199900225 issued by Yin County People's Government dated on 3 June 1999, the building ownership of the Property, which situated at Level 1, Block Nos. 99 and 100, Dongying Xincun, Tongwang, Xiaying Town, comprising a total gross floor area of approximately 1,784.56 sq m have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*). The details of the Property are summarized as follows:-

Certificate No.	Block No.	No.	Gross Floor Area (sq m)
YFQZXZ No. Q199900227	Block No. 99	2	870.79
		5	32.22
YFQZXZ No. Q199900225	Block No. 100	1	870.79
		4	10.76
Total			1,784.56

- (3) According to Business Licence No. 330200000003464 dated 10 July 2012, 寧波新江廈股份有限公司 (New JoySun Corp.*) was established a limited liability company with registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.

- (4) According to the PRC legal opinion:

- (i) 寧波新江廈股份有限公司 (New JoySun Corp.*) has obtained valid business licence and is legally established;
- (ii) 寧波新江廈股份有限公司 (New JoySun Corp.*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
- (iii) 寧波新江廈股份有限公司 (New JoySun Corp.*) is the registered property owner. The State-owned Land Use Rights Certificate under the predecessor's name would has no legal obstacle to own and occupy the land.

- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013																		
4. Warehouse Block C, Dongying Xincun, Tongwan Cun, Xiaying Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>The Property comprises a 5-storey warehouse, known as Block C, and a block of single storey guard room, erected on a parcel of land with a site area of approximately 4,957.60 sq m and completed in 1998.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 3,270.91 sq m:-</p> <table border="1"> <thead> <tr> <th>Block</th> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>1</td> <td>796.55</td> </tr> <tr> <td>3</td> <td>2-4</td> <td>2,398.29</td> </tr> <tr> <td>3</td> <td>5</td> <td>41.41</td> </tr> <tr> <td>6</td> <td></td> <td>34.66</td> </tr> <tr> <td>Total</td> <td></td> <td>3,270.91</td> </tr> </tbody> </table>	Block	Level	Approximate Gross Floor Area (sq m)	3	1	796.55	3	2-4	2,398.29	3	5	41.41	6		34.66	Total		3,270.91	<p>According to the information provided by New JoySun Group, as at the date of valuation, the Property was owner-occupied.</p>	<p>RMB6,960,000</p> <p>(100% interest attributable to New JoySun Group: RMB6,960,000)</p>
Block	Level	Approximate Gross Floor Area (sq m)																			
3	1	796.55																			
3	2-4	2,398.29																			
3	5	41.41																			
6		34.66																			
Total		3,270.91																			
	<p>The Property is located at Dongying Xincun, Xiaying Town, Yinzhou District in Ningbo, which is in urban area of Xiaying Town. Developments nearby are mainly residential developments. According to New JoySun Group, the Property is for industrial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire in December 2051 for warehouse use.</p>																				

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2002) 12-1502 issued by Ningbo Municipal Land Resources Bureau dated 1 August 2002, the land use rights of the Property, which situated at Tongwang Cun, Xiaying Town, Yinzhou District, comprising a site area of 4,957.60 sq m, have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*) granted for a land use term due to expire in December 2051 for warehouse use.
- (2) According to Building Ownership Certificate YFQZXZ No. Q199900226 issued by Yin County People's Government dated 3 June 1999, the building ownership of the Property, which situated at Block C, Dongying Xincun, Xiaying Town, comprising a total gross floor area of approximately 3,270.91 sq m have been vested in 寧波新江廈股份有限公司 (New JoySun Corp.*).
- (3) According to Business Licence No. 330200000003464 dated 10 July 2012, 寧波新江廈股份有限公司 (New JoySun Corp.*) was established a limited liability company with registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈股份有限公司 (New JoySun Corp.*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈股份有限公司 (New JoySun Corp.*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈股份有限公司 (New JoySun Corp.*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013												
5. Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC	<p>Lisi Department Store (Xiangshan) comprises a 5-storey commercial building erected on a parcel of land with a total site area of approximately 1,807.91 sq m and completed in 1995.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 6,056.21 sq m (exclusive of approximately 42 sq m without legal title on Level 1):-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>1,953.00</td> </tr> <tr> <td>Level 2</td> <td>1,903.00</td> </tr> <tr> <td>Level 3</td> <td>1,100.00</td> </tr> <tr> <td>Level 4</td> <td>1,100.21</td> </tr> <tr> <td>Total</td> <td>6,056.21</td> </tr> </tbody> </table> <p>The Property is located at Xiangshan in Ningbo, which is in urban area of Xiangshan. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 11 March 2042 for commercial use.</p>	Level	Approximate Gross Floor Area (sq m)	Level 1	1,953.00	Level 2	1,903.00	Level 3	1,100.00	Level 4	1,100.21	Total	6,056.21	<p>According to the information provided by New JoySun Group, as at the date of valuation, a portion of the Property with a total gross floor area of approximately 5,000 sq m was let and subject to the tenancy for a 8-year term due to expire on 30 November 2020 at a total yearly rent of approximately RMB3,500,000; another portion of the Property, with a total gross floor area of 402.99 sq m, was subject to the tenancy for a 10-year term due to expire on 14 August 2020 at a total monthly rent of 6.98% of the total monthly turnover. The remaining portion of the Property with a total gross floor area of approximately 653.22 sq m would be subject to the tenancy from 15 April 2013 to 30 November 2020 at a total yearly rent of approximately RMB450,000.</p>	<p>RMB95,890,000</p> <p>(100% interest attributable to New JoySun Group: RMB95,890,000)</p>
Level	Approximate Gross Floor Area (sq m)														
Level 1	1,953.00														
Level 2	1,903.00														
Level 3	1,100.00														
Level 4	1,100.21														
Total	6,056.21														

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to two State-owned Land Use Rights Certificates XGY Nos. (2011) 05025-05026 issued by Xiangshan County People's Government dated 6 September 2011, the land use rights of the Property, which situated at No. 165, Jianshe Road, Dandong Street, comprising a total site area of 1,807.91 sq m, have been vested in 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*) for a land use term due to expire on 11 March 2042 for commercial use. The details of the Property are summarized as follows:–

Certificate No.	Site Area (sq m)
XGY No. (2011) 05025	1,185.80
XGY No. (2011) 05026	622.11
Total	1,807.91

- (2) According to Building Ownership Certificate XFQZDDJDZ No. 2011-0104608 issued by Xiangshan County Construction Bureau dated 17 July 2008, the building ownership of the Property which situated at No 165, Jianshe Road, Dandong Street, comprising a gross floor area of approximately 6,056.21 sq m have been vested in 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 42 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Purchase Agreement entered into between 象山縣金溢貿易集團有限公司 (Xiangshan Jinyi Trade Group Co., Ltd.) (Party A) and 象山新江廈百貨有限公司 (Xiangshan New JoySun Department Store Limited*) (Party B) dated 2 July 2008, Party A has sold the Property to Party B with a total gross floor area of approximately 6,177 sq m at a consideration of RMB45,000,000.

According to the information provided by New JoySun Group, 象山新江廈百貨有限公司 (Xiangshan New JoySun Department Store Limited*) is the former name of 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*).

- (4) According to Business Licence No. 330225000011341 dated 15 March 2011, 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*) was established as a limited company with a registered capital of RMB20,000,000 for a valid operation period from 14 January 2008 to 13 January 2018.

- (5) According to the PRC legal opinion:

- (i) 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*) has obtained valid business licence and is legally established;
- (ii) 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
- (iii) 象山利時百貨有限公司 (Xiangshan Lisi Department Store Limited*) is the registered property owner.

- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Purchase Agreement	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013								
6. New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Jiangshan) comprises Levels 1-2 of a 4-storey commercial building erected on a parcel of land with an attributable site area of approximately 1,382.00 sq m and opened in 2000.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 4,363.71 sq m:-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>2,372.82</td> </tr> <tr> <td>Level 2</td> <td>1,990.89</td> </tr> <tr> <td>Total</td> <td>4,363.71</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	2,372.82	Level 2	1,990.89	Total	4,363.71	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 588.48 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 30 September 2013 at a total monthly rent of approximately RMB68,275.</p> <p>Portion of the Property, with a total gross floor area of 24.53 sq m, was vacant.</p> <p>The remaining portion of the Property, with a total gross floor area of 3,750.70 sq m, was owner-occupied.</p>	<p>RMB50,580,000</p> <p>(82% interest attributable to New JoySun Group: RMB41,475,600)</p>
Level	Approximate Gross Floor Area (sq m)										
Level 1	2,372.82										
Level 2	1,990.89										
Total	4,363.71										
	<p>The Property is located at Jiangshan Town, Yinzhou District in Ningbo, which is in urban area of Jiangshan Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire in December 2039 for commercial use.</p>										

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2002) 23-724 issued by Ningbo Yinzhou District People's Government dated 24 October 2002, the land use rights of the Property, which situated at Renmin Road, Dongguang Cun, Jiangshan Town, Yinzhou District, Ningbo, comprising an attributable site area of 1,382.00 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire in December 2039 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201134707 issued by Ningbo Yinzhou District Building Administrative Bureau dated 17 October 2011, the building ownership of the Property, which situated at No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,363.71 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
7. New JoySun Supermarket (Jishigang), No. 5, East Shizi Road, Jishigang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Jishigang) comprises Level 1 of a 6-storey commercial building erected on a parcel of land with an attributable site area of approximately 658.40 sq m and opened in 2000.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 1,748.48 sq m.</p> <p>The Property is located at Jishigang Town, Yinzhou District in Ningbo, which is in urban area of Jishigang Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 10 October 2037 for commercial use.</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 85.18 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 25 March 2015 at a total monthly rent of approximately RMB11,367.</p> <p>The remaining portion of the Property, with a total gross floor area of 1,663.30 sq m, was owner-occupied.</p>	<p>RMB13,720,000</p> <p>(82% interest attributable to the New JoySun Group: RMB11,250,400)</p>

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2002) 06-283 issued by Ningbo Yinzhou District People's Government dated 22 October 2002, the land use rights of the Property, which situated at Jishigang Cun, Jizhigang Town, Yinzhou District, Ningbo, comprising an attributable site area of 658.40 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 10 October 2037 for commercial use.
- (2) According to Building Ownership Certificate YFQZJZ No. 200720969 issued by Ningbo Yinzhou District Building Administrative Bureau dated 29 August 2007, the building ownership of the Property, which situated at East Shizi Road, Jishigang Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 1,748.48 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
8. New JoySun Supermarket (Qiu'ai), No. 80, Zhenzhong Road, Qiu'ai Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Qiu'ai) comprises Level 1 of a 6-storey commercial building erected on a parcel of land with an attributable site area of approximately 757.98 sq m and opened in 2000.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 2,600.61 sq m (exclusive of approximately 26 sq m without legal title on Level 1).</p> <p>The Property is located at Qiu'ai Town, Yinzhou District in Ningbo, which is in urban area of Qiu'ai Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 5 April 2050 for commercial use.</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 32.88 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 6 February 2015 at a total monthly rent of approximately RMB11,050.</p> <p>The remaining portion of the Property, with a total gross floor area of 2,567.73 sq m, was owner-occupied.</p>	<p>RMB34,680,000</p> <p>(82% interest attributable to the New JoySun Group: RMB28,437,600)</p>

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2002) 28-769 issued by Ningbo Yinzhou District People's Government dated 24 October 2002, the land use rights of the Property, which situated at Zhenzhong Road, Qiu'ai Town, Yinzhou District, Ningbo, comprising an attributable site area of 757.98 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 5 April 2050 for commercial use.
- (2) According to Building Ownership Certificate YFQZQZ No. B200200910 issued by Ningbo Yinzhou District Building Administrative Bureau dated 3 September 2002, the building ownership of the Property, which situated at Zhenzhong Road, Qiu'ai Town, Yinzhou District, comprising a total gross floor area of approximately 2,600.61 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 26 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
- (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
9. New JoySun Supermarket (Xianxiang), South Road, Xiansan Cun, Xianxiang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	New JoySun Supermarket (Xianxiang) comprises Level 1 of a 3-storey commercial building and a 1-storey commercial building erected on a parcel of land with an attributable site area of approximately 1,946.50 sq m and opened in 2000.	According to the information provided by New JoySun Group, as at the date of valuation, the Property was owner-occupied.	RMB21,340,000 (82% interest attributable to New JoySun Group: RMB17,498,800)
	According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 2,250.64 sq m (exclusive of approximately 18 sq m without legal title on Level 1).		
	The Property is located at Xianxiang Town, Yinzhou District in Ningbo, which is in urban area of Xianxiang Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.		
	The land use rights of the Property have been granted for a term due to expire on 6 December 2039 for commercial use.		

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2002) 46-039 issued by Ningbo Yinzhou District People's Government dated 27 November 2002, the land use rights of the Property, which situated at Xiansan Cun, Xianxiang Town, Yinzhou District, Ningbo, comprising an attributable site area of 1,946.50 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 6 December 2039 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201122829 issued by Ningbo Yinzhou District Building Administrative Bureau dated 1 July 2011, the building ownership of the Property, which situated at South Road, Xiansan Cun, Xianxiang Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 2,250.64 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 18 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
- (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
10. New JoySun Supermarket (Gulin), Huancheng Road, Gulin Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Gulin) comprises a 1-storey commercial building erected on a parcel of land with a site area of approximately 4,077.10 sq m and opened in 2004.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 2,935.49 sq m (exclusive of approximately 500 sq m without legal title on Level 1).</p> <p>The Property is located at Gulin Town, Yinzhou District in Ningbo, which is in urban area of Gulin Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 9 October 2043 for commercial use.</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 165.74 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 4 May 2015 at a total monthly rent of approximately RMB18,383.</p> <p>Portion of the Property, with a total gross floor area of 11.05 sq m, was vacant.</p> <p>The remaining portion of the Property, with a total gross floor area of 2,758.70 sq m, was owner-occupied.</p>	<p>RMB34,300,000</p> <p>(82% interest attributable to New JoySun Group: RMB28,126,000)</p>

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2004) 08-1087 issued by Ningbo Yinzhou District People's Government dated 8 October 2004, the land use rights of the Property, which situated at Gulin Cun, Gulin Town, Yinzhou District, comprising a site area of 4,077.10 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 9 October 2043 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201129809 issued by Ningbo Yinzhou District Building Administrative Bureau dated 25 August 2011, the building ownership of the Property, which situated at Gulin Cun, Gulin Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 2,935.49 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 500 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
- (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
- (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
- (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013										
11. New JoySun Supermarket (Tangxi), Tangtou Cun, Tangxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Tangxi) comprises a 3-storey commercial building erected on a parcel of land with a site area of approximately 1,426.10 sq m and opened in 2005.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 1,558.76 sq m (exclusive of approximately 896.40 sq m without legal title on Level 1):-</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 90.15 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 19 December 2014 at a total monthly rent of approximately RMB7,650.</p> <p>Portion of the Property, with a total gross floor area of 117.69 sq m, was vacant.</p> <p>The remaining portion of the Property, with a total gross floor area of 1,350.92 sq m, was owner-occupied.</p>	<p>RMB12,630,000</p> <p>(82% interest attributable to New JoySun Group: RMB10,356,600)</p>										
	<table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>519.60</td> </tr> <tr> <td>Level 2</td> <td>519.60</td> </tr> <tr> <td>Level 3</td> <td>519.56</td> </tr> <tr> <td>Total</td> <td>1,558.76</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	519.60	Level 2	519.60	Level 3	519.56	Total	1,558.76		
Level	Approximate Gross Floor Area (sq m)												
Level 1	519.60												
Level 2	519.60												
Level 3	519.56												
Total	1,558.76												
	<p>The Property is located at Tangxi Town, Yinzhou District in Ningbo, which is in urban area of Tangxi Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 24 September 2037 for commercial use.</p>												

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2005) 03-063 issued by Ningbo Municipal People's Government dated 13 June 2005, the land use rights of the Property, which situated at Tangtou Cun, Tangxi Town, Yinzhou District, Ningbo, comprising a site area of 1,426.10 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 24 September 2037 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201131937 issued by Ningbo Yinzhou District Building Administrative Bureau dated 19 September 2011, the building ownership of the Property, which situated at Tangtou Cun, Tangxi Town, Yinzhou District, comprising a total gross floor area of approximately 1,558.76 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 896.40 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013								
12. New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Hengxi) comprises a 2-storey commercial building erected on a parcel of land with a total site area of approximately 4,698.60 sq m and opened in 2005.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 6,323.86 sq m:-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>3,161.93</td> </tr> <tr> <td>Level 2</td> <td>3,161.93</td> </tr> <tr> <td>Total</td> <td>6,323.86</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	3,161.93	Level 2	3,161.93	Total	6,323.86	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 3,215.36 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 31 December 2015 at a total monthly rent of approximately RMB89,750.</p> <p>Portion of the Property, with a total gross floor area of 29.07 sq m, was vacant.</p> <p>The remaining portion of the Property, with a total gross floor area of 3,079.43 sq m, was owner-occupied.</p>	<p>RMB62,370,000</p> <p>(82% interest attributable to New JoySun Group: RMB51,143,400)</p>
Level	Approximate Gross Floor Area (sq m)										
Level 1	3,161.93										
Level 2	3,161.93										
Total	6,323.86										
	<p>The Property is located at Hengxi Town, Yinzhou District in Ningbo, which is in urban area of Hengxi Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 3 September 2042 for commercial use.</p>										

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2005) 11-023 issued by Ningbo Municipal People's Government dated 18 July 2005, the land use rights of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, comprising a total site area of 4,698.60 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 3 September 2042 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201126313 issued by Ningbo Yinzhou District Building Administrative Bureau dated 21 July 2011, the building ownership of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 6,323.86 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013														
13. New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket Gaoqiao Warehouse comprises a 5-storey commercial building and two 3-storey commercial buildings erected on a parcel of land with a site area of part of 22,655.50 sq m and opened in 2006.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 20,623.53 sq m (exclusive of approximately 80 sq m without legal title on Level 1):-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>6,399.70</td> </tr> <tr> <td>Level 2</td> <td>6,399.68</td> </tr> <tr> <td>Level 3</td> <td>6,399.67</td> </tr> <tr> <td>Level 4</td> <td>712.24</td> </tr> <tr> <td>Level 5</td> <td>712.24</td> </tr> <tr> <td>Total</td> <td>20,623.53</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	6,399.70	Level 2	6,399.68	Level 3	6,399.67	Level 4	712.24	Level 5	712.24	Total	20,623.53	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 3,561.22 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 14 September 2017 at a total monthly rent of approximately RMB62,333.</p> <p>The remaining portion of the Property, with a total gross floor area of 17,062.31 sq m, was owner-occupied.</p>	<p>RMB158,080,000</p> <p>(82% interest attributable to the New JoySun Group: RMB129,625,600)</p>
Level	Approximate Gross Floor Area (sq m)																
Level 1	6,399.70																
Level 2	6,399.68																
Level 3	6,399.67																
Level 4	712.24																
Level 5	712.24																
Total	20,623.53																
	<p>The Property is located at Gaoqiao Town, Yinzhou District in Ningbo, which is in urban area of Gaoqiao Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 21 July 2043 for commercial use.</p>																

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a site area of 22,655.50 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 21 July 2043 for commercial use.

The land of the Property is part of the said certificate.

- (2) According to Building Ownership Certificate YFQZYQZ No. 201227538 issued by Ningbo Yinzhou District Building Administrative Bureau dated 4 September 2012, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 20,623.53 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 80 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

- (4) According to the PRC legal opinion:

- (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
- (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
- (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.

- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013										
14. New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Gaoqiao) comprises a 3-storey commercial building erected on a parcel of land with a site area of part of 22,655.50 sq m and opened in 2006.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 12,911.03 sq m:-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>5,832.03</td> </tr> <tr> <td>Level 2</td> <td>5,831.00</td> </tr> <tr> <td>Level 3</td> <td>1,248.00</td> </tr> <tr> <td>Total</td> <td>12,911.03</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	5,832.03	Level 2	5,831.00	Level 3	1,248.00	Total	12,911.03	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 6,355.12 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 1 March 2018 at a total monthly rent of approximately RMB171,384.</p> <p>Portion of the Property, with a total gross floor area of 2,247.91 sq m, was vacant.</p> <p>The remaining portion of the Property, with a total gross floor area of 4,308.00 sq m, was owner-occupied.</p>	<p>RMB103,920,000</p> <p>(82% interest attributable to New JoySun Group: RMB85,214,400)</p>
Level	Approximate Gross Floor Area (sq m)												
Level 1	5,832.03												
Level 2	5,831.00												
Level 3	1,248.00												
Total	12,911.03												
	<p>The Property is located at Gaoqiao Town, Yinzhou District in Ningbo, which is in urban area of Gaoqiao Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 21 July 2043 for commercial use.</p>												

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a site area of 22,655.50 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 21 July 2043 for commercial use.

The land of the Property is part of the said certificate.

- (2) According to Building Ownership Certificate YFQZYQZ No. 201227537 issued by Ningbo Yinzhou District Building Administrative Bureau dated 4 September 2012, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 12,911.03 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

- (4) According to the PRC legal opinion:

(i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;

(ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and

(iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.

- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013								
15. New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Dongwu) comprises a 2-storey commercial building erected on a parcel of land with a site area of approximately 5,940.60 sq m and opened in 2007.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 2,924.05 sq m (exclusive of approximately 200 sq m without legal title on Level 1):-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>1,924.05</td> </tr> <tr> <td>Level 2</td> <td>1,000.00</td> </tr> <tr> <td>Total</td> <td>2,924.05</td> </tr> </tbody> </table> <p>The Property is located at Dongwu Town, Yinzhou District in Ningbo, which is in urban area of Dongwu Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 20 June 2044 for commercial use.</p>	Level	Approximate Gross Floor Area (sq m)	Level 1	1,924.05	Level 2	1,000.00	Total	2,924.05	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 1,720.51 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 31 July 2016 at a total monthly rent of approximately RMB33,728.</p> <p>The remaining portion of the Property, with a total gross floor area of 1,203.54 sq m, was owner-occupied.</p>	<p>RMB21,790,000</p> <p>(82% interest attributable to the New JoySun Group: RMB17,867,800)</p>
Level	Approximate Gross Floor Area (sq m)										
Level 1	1,924.05										
Level 2	1,000.00										
Total	2,924.05										

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2007) 05-05013 issued by Ningbo Municipal People's Government dated 14 September 2007, the land use rights of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, comprising a site area of 5,940.60 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 20 June 2044 for commercial use.
- (2) According to Building Ownership Certificate YFQZDZ No. 200723257 issued by Ningbo Yinzhou District Building Administrative Bureau dated 20 September 2007, the building ownership of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 2,924.05 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 200 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (4) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (5) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
16. New JoySun Supermarket (Zhanqi), Nanyi Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p data-bbox="507 506 863 659">New JoySun Supermarket (Zhanqi) comprises three 1-storey commercial buildings erected on a parcel of land with a site area of approximately 1,242.70 sq m and opened in 2008.</p> <p data-bbox="507 697 863 821">According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 1,014.71 sq m.</p> <p data-bbox="507 859 863 1174">The Property is located at Zhanqi Town, Yinzhou District in Ningbo, which is in urban area of Zhanqi Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p data-bbox="507 1212 863 1298">The land use rights of the Property have been granted for a term due to expire on 24 May 2041 for commercial use.</p>	According to the information provided by New JoySun Group, as at the date of valuation, the Property was owner-occupied.	RMB6,240,000 (82% interest attributable to New JoySun Group: RMB5,116,800)

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2011) 01-05053 issued by Ningbo Municipal People's Government dated 13 July 2011, the land use rights of the Property, which situated at Nanyi Cun, Zhanqi Town, Yinzhou District, comprising a site area of 1,242.70 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 24 May 2041 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201122831 issued by Ningbo Yinzhou District Building Administrative Bureau dated 1 July 2011, the building ownership of the Property, which situated at Nanyi Cun, Zhanqi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 1,014.71 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Auction Confirmation provided by New JoySun Group, 55% share of 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) owned by 寧波市鄞州區鄞江供銷社 (Ningbo Yinzhou District Yinjiang Supply and Sales Corporation*) has been transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) at a total consideration of RMB1,760,000 on 8 August 2008;

According to Share Transfer Agreements provided by New JoySun Group, 45% share of 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) owned by 24 natural persons has been transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) at a total consideration of RMB1,296,000 on 27 August 2008.

The Property was registered under 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) and transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) with above transactions.

- (4) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (5) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013										
17. New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Dasong) comprises a 3-storey commercial building and a 1-storey commercial building erected on a parcel of land with a site area of approximately 451.80 sq m and opened in 2009.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 639.38 sq m:-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>310.34</td> </tr> <tr> <td>Level 2</td> <td>164.52</td> </tr> <tr> <td>Level 3</td> <td>164.52</td> </tr> <tr> <td>Total</td> <td>639.38</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	310.34	Level 2	164.52	Level 3	164.52	Total	639.38	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 310.34 sq m, was subject to a tenancy for a 3-year term due to expire on 9 March 2014 at a total monthly rent of approximately RMB3,025.</p> <p>The remaining portion of the Property, with a total gross floor area of 329.04 sq m, was vacant.</p>	<p>RMB1,000,000</p> <p>(82% interest attributable to the New JoySun Group: RMB820,000)</p>
Level	Approximate Gross Floor Area (sq m)												
Level 1	310.34												
Level 2	164.52												
Level 3	164.52												
Total	639.38												
	<p>The Property is located at Zhanqi Town, Yinzhou District in Ningbo, which is in rural area of Zhanqi Town. Developments nearby are mainly residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 24 December 2040 for commercial use.</p>												

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2011) 01-05052 issued by Ningbo Municipal People's Government dated 13 July 2011, the land use rights of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, comprising a site area of 451.80 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 24 December 2040 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201122830 issued by Ningbo Yinzhou District Building Administrative Bureau dated 1 July 2011, the building ownership of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 639.38 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Auction Confirmation provided by New JoySun Group, 55% share of 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) owned by 寧波市鄞州區鄞江供銷社 (Ningbo Yinzhou District Yinjiang Supply and Sales Corporation*) has been transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) at a total consideration of RMB1,760,000 on 8 August 2008;

According to Share Transfer Agreements provided by New JoySun Group, 45% share of 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) owned by 24 natural persons has been transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) at a total consideration of RMB1,296,000 on 27 August 2008.

The Property was registered under 寧波市鄞州銀河超市有限公司 (Ningbo Yinzhou Yinhe Supermarket Chain Limited*) and transferred to 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) with above transactions.

- (4) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (5) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013																
18. New JoySun Supermarket (Qiu'er), Shengmo Road, Qiu'ai Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Qiu'er) comprises a block of 3-storey industrial building, a block of 6-storey industrial building and a block of 2-storey industrial building, erected on a parcel of land with a site area of approximately 3,087.60 sq m and opened in 2010.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 3,035.13 sq m (exclusive of a block of 2-storey building of approximately 2,400 sq m without legal title):-</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 2,731.44 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 25 November 2014 at a total monthly rent of approximately RMB54,556.</p> <p>The remaining portion of the Property, with a total gross floor area of 303.69 sq m, was vacant.</p>	<p>RMB7,760,000</p> <p>(82% interest attributable to the New JoySun Group: RMB6,363,200)</p>																
	<table border="0"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>292.07</td> </tr> <tr> <td>Level 2</td> <td>292.07</td> </tr> <tr> <td>Level 3</td> <td>292.07</td> </tr> <tr> <td>Total</td> <td>876.21</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	292.07	Level 2	292.07	Level 3	292.07	Total	876.21								
Level	Approximate Gross Floor Area (sq m)																		
Level 1	292.07																		
Level 2	292.07																		
Level 3	292.07																		
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	<table border="0"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>307.61</td> </tr> <tr> <td>Level 2</td> <td>307.61</td> </tr> <tr> <td>Level 3</td> <td>307.60</td> </tr> <tr> <td>Level 4</td> <td>307.60</td> </tr> <tr> <td>Level 5</td> <td>307.60</td> </tr> <tr> <td>Level 6</td> <td>307.60</td> </tr> <tr> <td>Total</td> <td>1,845.62</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	307.61	Level 2	307.61	Level 3	307.60	Level 4	307.60	Level 5	307.60	Level 6	307.60	Total	1,845.62		
Level	Approximate Gross Floor Area (sq m)																		
Level 1	307.61																		
Level 2	307.61																		
Level 3	307.60																		
Level 4	307.60																		
Level 5	307.60																		
Level 6	307.60																		
Total	1,845.62																		

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
	Level	Approximate Gross Floor Area (sq m)	
	Level 1	156.65	
	Level 2	156.65	
	Total	313.30	
	Grand Total	3,035.13	

The Property is located at Qiu'ai Town, Yinzhou District in Ningbo, which is in urban area of Qiu'ai Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for industrial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building. Regarding the issue about the title certificates are for industrial use, but the actual intended use is for commercial purpose; such change of use of the Property requires the approval of the relevant governmental authorities, by which New JoySun Group is currently in the course of applying for the same.

The land use rights of the Property have been granted for a term due to expire on 26 October 2045 for industrial use.

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2010) 07-00178 issued by Ningbo Municipal People's Government dated 4 June 2010, the land use rights of the Property, which situated at Shengmo Road, Qiu'ai Town, Yinzhou District, comprising a site area of 3,087.60 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 26 October 2045 for industrial use.

We note the land use of the Property is for industrial use, despite the Property is currently used for commercial use; in the course of our valuation, we have valued the Property according to its industrial use.

- (2) According to Building Ownership Certificate YFQZYQZ No. 201009887 issued by Ningbo Yinzhou District Building Administrative Bureau dated 5 March 2010, the building ownership of the Property, which situated at Shengmo Road, Qiu'ai Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 3,035.13 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).

According to the information provided by New JoySun Group, we have noted that the Property has a gross floor area of approximately 2,400 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

- (3) According to Auction Confirmation provided by New JoySun Group, the land use rights and the building ownership of the Property with the gross floor areas of 2,990.19 sq m with legal title, 207 sq m without legal title and 2,459.68 sq m under construction as well as some accessory equipments was obtained by 寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*) at a total consideration of RMB19,300,000 on 8 December 2009

- (4) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

- (5) According to the PRC legal opinion:

(i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;

(ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner; and

(iv) Regarding the issue about the title certificates are for industrial use, but the actual intended use is for commercial purpose; such change of use of the Property requires the approval of the relevant governmental authorities, by which New JoySun Group is currently in the course of applying for the same. As at the Latest Practicable Date, New JoySun Group is not aware of any direct legal impediment to the New JoySun Group's application of the change of use of the Property. Nonetheless, the approval of the change of use of the Property is subject to relevant governmental authorities' discretion and may be affected by factors such as urban or regional planning, construction and development plans of the area where the Property located. As such, successful application of the New JoySun Group cannot be guaranteed. However, in the event that the New JoySun Group fails to obtain such approval, such change of use of the Property may constitute violation of the Zhejiang Town and Country Planning Regulations* (浙江省城鄉規劃條例) and Ningbo City, Town and Country Planning Regulations* (寧波市城鄉規劃條例), pursuant to which the New JoySun Group may be ordered to make corrections of the use of the Property and thus need to terminate the existing tenancies of the Property, confiscate any income derived from such violation, and subject to penalty ranging from RMB10,000 to RMB100,000. And pursuant to the terms of two of the tenancy agreements, in the event that New JoySun Group terminates their existing tenancy agreements before expiration, it has to compensate RMB12,500 and an amount not exceeding RMB203,597 to the respective tenants accordingly. As for the remaining tenancy which no fixed amount of compensation had been agreed on, the New JoySun Group may be required to make a compensation to the relevant tenant for his actual loss as the result of terminating the tenancy in accordance with the PRC Contract Law (合同法), which may include the cost of renovation incurred by the tenant, relocation expenses and the difference between the rentals payable by the tenant to New JoySun Group and the new landlord under the original term of tenancy (in case the rental under the tenancy with the new landlord is higher than the existing one).

- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013								
19. New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Yunlong) comprises Levels 1-2 of a 4-storey commercial building erected on a parcel of land with an attributable site area of approximately 3,237.63 sq m and opened in 2012.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 4,413.88 sq m:–</p>	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 2,963.03 sq m, was subject to tenancies for various terms with the latest tenancy due to expire on 31 January 2017 at a total monthly rent of approximately RMB58,308.</p> <p>The remaining portion of the Property, with a total gross floor area of 1,450.85 sq m, was owner-occupied.</p>	<p>RMB31,310,000</p> <p>(82% interest attributable to the New JoySun Group: RMB25,674,200)</p>								
	<table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>2,206.94</td> </tr> <tr> <td>Level 2</td> <td>2,206.94</td> </tr> <tr> <td>Total</td> <td>4,413.88</td> </tr> </tbody> </table>	Level	Approximate Gross Floor Area (sq m)	Level 1	2,206.94	Level 2	2,206.94	Total	4,413.88		
Level	Approximate Gross Floor Area (sq m)										
Level 1	2,206.94										
Level 2	2,206.94										
Total	4,413.88										
	<p>The Property is located at Yunlong Town, Yinzhou District in Ningbo, which is in urban area of Yunlong Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 11 October 2049 for commercial use.</p>										

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) According to State-owned Land Use Rights Certificate YGY No. (2012) 93-01001 issued by Ningbo Municipal People's Government dated 11 September 2012, the land use rights of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising an attributable site area of 3,237.63 sq m, have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) granted for a land use term due to expire on 11 October 2049 for commercial use.
- (2) According to Building Ownership Certificate YFQZYQZ No. 201227044 issued by Ningbo Yinzhou District Building Administrative Bureau dated 30 August 2012, the building ownership of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,413.88 sq m have been vested in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*).
- (3) According to Commodity House Purchase and Sales Contract entered into between 寧波啟明光大置業有限公司 (Ningbo Qiming Guangda Property Co., Ltd.*) (Party A) and 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) (Party B) dated 24 May 2012, Party A has sold the Property to Party B with a total gross floor area of 4,413.88 sq m at a consideration of RMB18,847,268.
- (4) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (5) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and
 - (iii) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) is the registered property owner.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Commodity House Purchase and Sales Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013								
20. New JoySun Supermarket (Guangxi), Block B, Guangxi Xincun, Yinjiang Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	<p>New JoySun Supermarket (Guangxi) comprises a 2-storey commercial building and opened in 2009.</p> <p>According to the information provided by New JoySun Group, the Property has a total gross floor area of approximately 2,812.37 sq m:-</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>1,406.37</td> </tr> <tr> <td>Level 2</td> <td>1,406.00</td> </tr> <tr> <td>Total</td> <td>2,812.37</td> </tr> </tbody> </table> <p>The Property is located at Yinjiang Town, Yinzhou District in Ningbo, which is in urban area of Yinjiang Town. Developments nearby are mainly commercial and residential developments. According to New JoySun Group, the Property is for commercial use; there is no environmental issue and litigation dispute; there is no plan for renovation of the building, or change the use of the Property.</p> <p>The land use rights of the Property has been allocated for residential use.</p>	Level	Approximate Gross Floor Area (sq m)	Level 1	1,406.37	Level 2	1,406.00	Total	2,812.37	<p>According to the information provided by New JoySun Group, as at the date of valuation, portion of the Property, with a total gross floor area of 128.60 sq m, was subject to a tenancy for a 4-year term due to expire on 9 November 2015 at a total monthly rent of approximately RMB4,833.</p> <p>The remaining portion of the Property, with a total gross floor area of 2,683.77 sq m, was owner-occupied.</p>	<p>No commercial value</p> <p>(See Note (1))</p>
Level	Approximate Gross Floor Area (sq m)										
Level 1	1,406.37										
Level 2	1,406.00										
Total	2,812.37										

APPENDIX V VALUATION REPORT OF THE PROPERTY INTERESTS OF NEW JOYSUN GROUP

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value of the Property of a total gross floor area of 2,812.37 sq m as the legal titles have not been obtained and the land use rights of the Property have been allocated for residential use. The market value of the Property in its existing state as at 31 March 2013, assuming that the legal title has been obtained, the land use rights has been granted for commercial use and the land grant premium has been fully paid, would be RMB20,510,000.
- (2) According to State-owned Land Use Rights Certificate YGY No. (2012) 21-00001 issued by Ningbo Municipal People's Government dated 1 June 2012, the land use rights of Phase I of Guang Xi Xin Cun, which situated at Guangxi Cun, Yingjiang Town, Yinzhou District, Ningbo, comprising a total site area of 17,565.00 sq m, have been vested to Ningbo Yinzhou District Yinjiang Town Xin Cun Construction Office* (寧波市鄞州區鄞江鎮新村建設辦公室) allocated for residential use.
- (3) According to Construction Land Planning Certificate (2005) ZGDZ No. 026378 issued by Ningbo Yinzhou District Planning Bureau dated 12 August 2005, the construction land use of Guang Xi Xin Cun complies with the town planning requirements and permit for construction of a site area of 64,323 sq m.
- (4) According to Planning Permit for Construction Works JZD (2007) ZG(J)Z No. 0260574 issued by Ningbo Municipal Planning Bureau dated 29 August 2011, the construction works of Phase I of Guang Xi Xin Cun with a gross floor area of 30,435 sq m are in compliance with the construction works requirements and have been approved.
- (5) According to Commencement Permit for Construction Works No.330227200710310201 issued by Ningbo Yinzhou District Construction Bureau dated 31 October 2007, the construction works of Phase I of Guang Xi Xin Cun with a gross floor area of 27,062 sq m are in compliance with the requirements for works commencement and have been permitted.
- (6) According to Purchase Agreement entered into between Ningbo Yinzhou District Yinjiang Town Xin Cun Construction Office* (寧波市鄞州區鄞江鎮新村建設辦公室) (Party A) and 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) (Party B), Party A has sold the Property located in Guang Xi Xin Cun to Party B with a total gross floor area of 2,812.37 sq m at a consideration of RMB19,100,000.
- (7) According to Business Licence No. 330212000011533 dated 3 July 2012, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
- (8) According to the PRC legal opinion:
 - (i) 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) has obtained valid business licence and is legally established;
 - (ii) The Group is in the process of obtaining the legal titles for the Property;
 - (iii) According to a Purchase Agreement, Ningbo Yinzhou District Yinjiang Town Xin Cun Construction Office* (寧波市鄞州區鄞江鎮新村建設辦公室) is responsible to process the land grant procedure of the land to commercial use, pay the relevant land grant fee and process the change of title ownership to 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*). The subsequent application for Building Ownership Certificate would have no legal obstacle; and
 - (iv) Had the Group obtained the title documents and all the relevant fees for the grant of the title have been fully settled for commercial use, 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) would have the rights to use, transfer, lease and pledge the Property.
- (9) The status of the title and grant of major approvals and licence in accordance with the information provided by New JoySun Group and the opinion of the PRC legal adviser are as follows:

State-owned Land Use Rights Certificate	Yes (in name of former owner)
Building Ownership Certificate	No
Construction Land Planning Certificate	Yes
Purchase Agreement	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Business Licence	Yes



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

22 February 2013

The Board of Directors
Lisi Group (Holdings) Limited
Unit A, 5/F., Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Lisi Group (Holdings) Limited (referred to as the “Company”) for us to value the properties (the “Properties”) held by New JoySun Corp.* (寧波新江廈股份有限公司) and its subsidiaries (together referred to as the “New JoySun Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values in existing state of the properties as at 31 December 2008, 31 December 2009, 31 December 2010, 30 September 2011, 31 December 2011, 30 September 2012 (“Date of Valuation”) respectively for auditing purpose.

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors 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 where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis And Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Properties for specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by New JoySun Group regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the grantees or the users of the Properties have free and uninterrupted right to use or to assign the Properties for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

In valuing the Properties, we have adopted Income Approach by capitalizing the rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the Properties.

In valuing the Properties, we have complied with the requirements set out in The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by New JoySun Group or other related parties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, completion dates of building, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by New JoySun Group which is material to the valuations. We were also advised by New JoySun Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by New JoySun Group with extracts of copies of document in relation to the titles to the Properties. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior and, where possible, the interior of the Properties. We have based on the status and condition of the Properties as inspected recently to carry out our valuations. However, 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 that the Properties are free of rot, infestation or other structural defects. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the Properties and we have assumed that the gross floor areas advised to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Non-publication and Caveat

Neither the whole nor any part of this letter, summary of valuations and valuation certificates nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this letter, summary of valuations and valuation certificate is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We attach herewith a summary of our valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

SUMMARY OF VALUATIONS

Properties held by New JoySun Group for investment in the PRC

Property	Market Value in existing state as at 31 December 2008 (RMB)	Market Value in existing state as at 31 December 2009 (RMB)	Market Value in existing state as at 31 December 2010 (RMB)	Market Value in existing state as at 30 September 2011 (RMB)	Market Value in existing state as at 31 December 2011 (RMB)	Market Value in existing state as at 30 September 2012 (RMB)
1. Part of New JoySun Department Store (Jiangdong), No. 301-305, East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC	40,820,000 (100% interest attributable to New JoySun Group: 40,820,000)	44,460,000 (100% interest attributable to New JoySun Group: 44,460,000)	48,650,000 (100% interest attributable to New JoySun Group: 48,650,000)	52,880,000 (100% interest attributable to New JoySun Group: 52,880,000)	51,500,000 (100% interest attributable to New JoySun Group: 51,500,000)	56,030,000 (100% interest attributable to New JoySun Group: 56,030,000)
2. Part of Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC	9,060,000 (100% interest attributable to New JoySun Group: 9,060,000)	10,630,000 (100% interest attributable to New JoySun Group: 10,630,000)	11,840,000 (100% interest attributable to New JoySun Group: 11,840,000)	12,750,000 (100% interest attributable to New JoySun Group: 12,750,000)	12,750,000 (100% interest attributable to New JoySun Group: 12,750,000)	13,500,000 (100% interest attributable to New JoySun Group: 13,500,000)
3. Part of New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	9,900,000 (82% interest attributable to New JoySun Group: 8,118,000)	10,850,000 (82% interest attributable to New JoySun Group: 8,897,000)	12,250,000 (82% interest attributable to New JoySun Group: 10,045,000)	13,360,000 (82% interest attributable to New JoySun Group: 10,955,200)	13,370,000 (82% interest attributable to New JoySun Group: 10,963,400)	14,560,000 (82% interest attributable to New JoySun Group: 11,939,200)
4. Part of New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	26,100,000 (82% interest attributable to New JoySun Group: 21,402,000)	29,000,000 (82% interest attributable to New JoySun Group: 23,780,000)	29,010,000 (82% interest attributable to New JoySun Group: 23,788,200)	32,960,000 (82% interest attributable to New JoySun Group: 27,027,200)	33,370,000 (82% interest attributable to New JoySun Group: 27,363,400)	36,920,000 (82% interest attributable to New JoySun Group: 30,274,400)
5. Part of New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	107,080,000 (82% interest attributable to New JoySun Group: 87,805,600)	117,050,000 (82% interest attributable to New JoySun Group: 95,981,000)	131,190,000 (82% interest attributable to New JoySun Group: 107,575,800)	142,870,000 (82% interest attributable to New JoySun Group: 117,153,400)	142,560,000 (82% interest attributable to New JoySun Group: 116,899,200)	155,980,000 (82% interest attributable to New JoySun Group: 127,903,600)

APPENDIX VI

**VALUATION REPORTS OF THE PROPERTY INTERESTS
OF NEW JOYSUN GROUP WITHIN THREE MONTHS**

Property	Market Value in existing state as at 31 December 2008 (RMB)	Market Value in existing state as at 31 December 2009 (RMB)	Market Value in existing state as at 31 December 2010 (RMB)	Market Value in existing state as at 30 September 2011 (RMB)	Market Value in existing state as at 31 December 2011 (RMB)	Market Value in existing state as at 30 September 2012 (RMB)
6. Part of New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	31,970,000 (82% interest attributable to New JoySun Group: 26,215,400)	34,450,000 (82% interest attributable to New JoySun Group: 28,249,000)	36,200,000 (82% interest attributable to New JoySun Group: 29,684,000)	39,850,000 (82% interest attributable to New JoySun Group: 32,677,000)	39,950,000 (82% interest attributable to New JoySun Group: 32,759,000)	42,840,000 (82% interest attributable to New JoySun Group: 35,128,800)
7. Part of New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	9,660,000 (82% interest attributable to New JoySun Group: 7,921,200)	10,850,000 (82% interest attributable to New JoySun Group: 8,897,000)	12,570,000 (82% interest attributable to New JoySun Group: 10,307,400)	12,650,000 (82% interest attributable to New JoySun Group: 10,373,000)	12,760,000 (82% interest attributable to New JoySun Group: 10,463,200)	14,210,000 (82% interest attributable to New JoySun Group: 11,652,200)
8. Part of New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	N/A	700,000 (82% interest attributable to New JoySun Group: 574,000)	810,000 (82% interest attributable to New JoySun Group: 664,200)	880,000 (82% interest attributable to New JoySun Group: 721,600)	930,000 (82% interest attributable to New JoySun Group: 762,600)	1,000,000 (82% interest attributable to New JoySun Group: 820,000)
9. Part of New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	N/A	N/A	N/A	N/A	21,880,000 (82% interest attributable to New JoySun Group: 17,941,600)	22,110,000 (82% interest attributable to New JoySun Group: 18,130,200)
Total:	234,590,000	257,990,000	282,520,000	308,200,000	329,070,000	357,150,000
Total attributable interest to New JoySun Group:	201,342,200	221,468,000	242,554,600	264,537,400	281,402,400	305,378,400

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
		As at 31 December 2010, a portion of the Property with a total lettable area of approximately 795 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB83,376.	as at 31 December 2011 RMB51,500,000 (100% interest attributable to New JoySun Group: RMB51,500,000)
		The remaining portion of the Property was vacant.	as at 30 September 2012 RMB56,030,000 (100% interest attributable to New JoySun Group: RMB56,030,000)
		As at 30 September 2011, a portion of the Property with a total lettable area of approximately 477 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB71,560.	New JoySun Group: RMB56,030,000)
		The remaining portion of the Property was vacant.	–
		As at 31 December 2011, a portion of the Property with a total lettable area of approximately 888 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB172,460.	
		The remaining portion of the Property was vacant.	
		As at 30 September 2012, a portion of the Property with a total lettable area of approximately 928 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB178,810.	
		The remaining portion of the Property was vacant.	

Notes:–

1. According to 5 State-owned Land Use Rights Certificates YGY Nos. (2007) 0102746-0102750 issued by Ningbo Municipal People's Government dated 26 September 2007, the land use rights of the Property, which situated at No. 301-305, East Zhongshan Road, Jiangdong District, comprising a total site area of 3,449.75 sq m, have been vested in New JoySun Corp.* (寧波新江廈股份有限公司) granted for a land use term due to expire on 29 August 2047 for commercial and service uses. The details of the Property are summarized as follows:–

Certificate No.	Portion	Site Area (sq m)
YGY No. (2007) 0102747	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	681.10
YGY No. (2007) 0102746	(2-1), (2-3), (2-7), (2-8)	784.33
YGY No. (2007) 0102748	(3-1), (3-3), (3-4), (3-7), (3-10)	796.32
YGY No. (2007) 0102750	(4-3), (4-4), (4-11)	633.50
YGY No. (2007) 0102749	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	554.50
	Total:	3,449.75

2. According to 5 Building Ownership Certificates YFQZJDZ Nos. 200504423-200504427 issued by Ningbo Municipal Building Administrative Bureau dated 16 February 2005, the building ownership of the Property, which situated at No. 301-305, East Zhongshan Road, Jiangdong District, comprising a total gross floor area of approximately 16,762.68 sq m have been vested in New JoySun Corp.* (寧波新江廈股份有限公司). The details of the Property are summarized as follows:–

Certificate No.	Portion	Site Area (sq m)
YFQZJDZ No. 200504423	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	3,309.51
YFQZJDZ No. 200504424	(2-1), (2-3), (2-7), (2-8)	3,811.12
YFQZJDZ No. 200504425	(3-1), (3-3), (3-4), (3-7), (3-10)	3,869.39
YFQZJDZ No. 200504426	(4-3), (4-4), (4-11)	3,078.26
YFQZJDZ No. 200504427	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	2,694.40
	Total:	16,762.68

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 1,733.33 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330200000003464 dated 10 July 2012, New JoySun Corp.* (寧波新江廈股份有限公司) was established as a limited company with a registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
- The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
2. Part of Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市象山縣建設路165號利時百貨(象山店)部分)	<p>Lisi Department Store (Xiangshan) comprises a 5-storey commercial building erected on a parcel of land with a total site area of approximately 1,807.91 sq m.</p> <p>Lisi Department Store (Xiangshan) has a total gross floor area of approximately 6,056.21 sq m.</p> <p>According to the information provided, the Property is part of Level 1 of Lisi Department Store (Xiangshan), which has a total lettable area of approximately 270.00 sq m and a total gross floor area of approximately 402.99 sq m respectively.</p> <p>The Property is held with land use rights for a term due to expire on 11 March 2042 for commercial use.</p>	<p>As at 31 December 2008 and 31 December 2009 respectively, Lisi Department Store (Xiangshan) with a total gross floor area of approximately 6,056.21 sq m was let and subject to the tenancy for a lease term of 8 years commencing from 15 January 2002 and expiring on 14 January 2010 at a total monthly rent of approximately RMB190,000.</p> <p>As at 31 December 2010, 30 September 2011, 31 December 2011 and 30 September 2012 respectively, the Property with a total lettable area of approximately 270 sq m was let and subject to the tenancy for a lease term of 10 years commencing from 15 August 2010 and expiring on 14 August 2020 at a total monthly rent of 6.98% of the total monthly turnover.</p>	<p>as at 31 December 2008 RMB9,060,000 (100% interest attributable to New JoySun Group: RMB9,060,000)</p> <p>as at 31 December 2009 RMB10,630,000 (100% interest attributable to New JoySun Group: RMB10,630,000)</p> <p>as at 31 December 2010 RMB11,840,000 (100% interest attributable to New JoySun Group: RMB11,840,000)</p> <p>as at 30 September 2011 RMB12,750,000 (100% interest attributable to New JoySun Group: RMB12,750,000)</p> <p>as at 31 December 2011 RMB12,750,000 (100% interest attributable to New JoySun Group: RMB12,750,000)</p> <p>as at 30 September 2012 RMB13,500,000 (100% interest attributable to New JoySun Group: RMB13,500,000)</p>

Notes:–

1. According to 2 State-owned Land Use Rights Certificates XGY Nos. (2011) 05025-05026 issued by Xiangshan County People's Government dated 6 September 2011, the land use rights of the Property, which situated at No. 165, Jianshe Road, Dandong Street, comprising a total site area of 1,807.91 sq m, have been vested in Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司) granted for a land use term due to expire on 11 March 2042 for commercial use. The details of the Property are summarized as follows:–

Certificate No.	Site Area (sq m)
XGY No. (2011) 05025	1,185.80
XGY No. (2011) 05026	622.11
Total:	1,807.91

2. According to Building Ownership Certificate XFQZDDJDZ No. 2011-0104608 issued by Xiangshan County Building Administrative Bureau dated 17 July 2008, the building ownership of the Property, which situated at No. 165, Jianshe Road, Dandong Street, comprising a total gross floor area of approximately 6,056.21 sq m have been vested in Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 402.99 sq m, is within the aforesaid certificate.

3. According to Business Licence No. 330225000011341 dated 15 March 2011, Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司) was established as a limited company with a registered capital of RMB20,000,000 for a valid operation period from 14 January 2008 to 13 January 2018.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state												
3. Part of New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區姜山鎮人民路26號新江廈超市(姜山店)部分)	New JoySun Supermarket (Jiangshan) comprises level 1-2 of a 4-storey commercial building erected on a parcel of land with a total site area of approximately 1,382.00 sq m.	As at 31 December 2008, a portion of the Property with a total lettable area of approximately 500 sq m was let and subject to a tenancy for a 5-year term at a total monthly rent of approximately RMB33,333.	as at 31 December 2008 RMB9,900,000 (82% interest attributable to New JoySun Group: RMB8,118,000)												
	New JoySun Supermarket (Jiangshan) has a total gross floor area of approximately 4,363.71 sq m.	The remaining portion of the Property was owner-occupied.	as at 31 December 2009 RMB10,850,000 (82% interest attributable to New JoySun Group: RMB8,897,000)												
	According to the information provided, the Property is part of New JoySun Supermarket (Jiangshan), which has a total lettable area of approximately 584.00 sq m and a total gross floor area of approximately 613.01 sq m respectively.	As at 31 December 2009, a portion of the Property with a total lettable area of approximately 546 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB43,500.	as at 31 December 2010 RMB12,250,000 (82% interest attributable to New JoySun Group: RMB10,045,000)												
	<table border="1"> <thead> <tr> <th>Level</th> <th>Lettable Area (sq m)</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>334.00</td> <td>356.19</td> </tr> <tr> <td>Level 2</td> <td>250.00</td> <td>256.82</td> </tr> <tr> <td>Total:</td> <td>584.00</td> <td>613.01</td> </tr> </tbody> </table>	Level	Lettable Area (sq m)	Gross Floor Area (sq m)	Level 1	334.00	356.19	Level 2	250.00	256.82	Total:	584.00	613.01	The remaining portion of the Property was owner-occupied.	as at 30 September 2011 RMB13,360,000 (82% interest attributable to New JoySun Group: RMB10,955,200)
Level	Lettable Area (sq m)	Gross Floor Area (sq m)													
Level 1	334.00	356.19													
Level 2	250.00	256.82													
Total:	584.00	613.01													
	The Property is held with land use rights for a term due to expire on December 2039 for commercial use.	As at 31 December 2010, the Property with a total lettable area of approximately 584 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB62,500.													

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
		As at 30 September 2011, a portion of the Property with a total lettable area of approximately 569 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB63,833.	<p style="text-align: right;">as at 31 December 2011 RMB13,370,000 (82% interest attributable to New JoySun Group: RMB10,963,400)</p>
		The remaining portion of the Property was owner-occupied.	<p style="text-align: right;">as at 30 September 2012 RMB14,560,000 (82% interest attributable to New JoySun Group: RMB11,939,200)</p>
		As at 31 December 2011, a portion of the Property with a total lettable area of approximately 561 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB65,250.	
		The remaining portion of the Property was owner-occupied.	
		As at 30 September 2012, a portion of the Property with a total lettable area of approximately 561 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB66,717.	
		The remaining portion of the Property was owner-occupied.	

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2002) 23-724 issued by Ningbo Yinzhou District People's Government dated 24 October 2002, the land use rights of the Property, which situated at Renmin Road, Dongguang Cun, Jiangshan Town, Yinzhou District, Ningbo, comprising a total site area of 1,382.00 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on December 2039 for commercial use.

2. According to Building Ownership Certificate YFQZYQZ No. 201134707 issued by Ningbo Yinzhou District Building Administrative Bureau dated 17 October 2011, the building ownership of the Property, which situated at No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,363.71 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 613.01 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited*(寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–

- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
- (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the Property can be freely disposed of to third parties.

5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state												
4. Part of New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區橫溪鎮人民路新江廈超市(橫溪店)部分)	New JoySun Supermarket (Hengxi) comprises a 2-storey commercial building erected on a parcel of land with a total site area of approximately 4,698.60 sq m.	As at 31 December 2008, a portion of the Property with a total lettable area of approximately 100 sq m was let and subject to a tenancy for a 3-year term at a total monthly rent of approximately RMB4,833 while a	as at 31 December 2008 RMB26,100,000 (82% interest attributable to New JoySun Group: RMB21,402,000)												
	New JoySun Supermarket (Hengxi) has a total gross floor area of approximately 6,323.86 sq m.	portion of the Property with a total lettable area of approximately 2,750 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 31 December 2009 RMB29,000,000 (82% interest attributable to New JoySun Group: RMB23,780,000)												
	According to the information provided, the Property is part of New JoySun Supermarket (Hengxi), which has a total lettable area of approximately 3,075.00 sq m and a total gross floor area of approximately 3,244.43 sq m respectively.	As at 31 December 2009, a portion of the Property with a total lettable area of approximately 215 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB9,250 while a	as at 31 December 2010 RMB29,010,000 (82% interest attributable to New JoySun Group: RMB23,788,200)												
		portion of the Property with a total lettable area of approximately 2,750 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 30 September 2011 RMB32,960,000 (82% interest attributable to New JoySun Group: RMB27,027,200)												
	<table border="1"> <thead> <tr> <th>Level</th> <th>Lettable Area (sq m)</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>475.00</td> <td>511.38</td> </tr> <tr> <td>Level 2</td> <td>2,600.00</td> <td>2,733.05</td> </tr> <tr> <td>Total:</td> <td>3,075.00</td> <td>3,244.43</td> </tr> </tbody> </table>	Level	Lettable Area (sq m)	Gross Floor Area (sq m)	Level 1	475.00	511.38	Level 2	2,600.00	2,733.05	Total:	3,075.00	3,244.43		
Level	Lettable Area (sq m)	Gross Floor Area (sq m)													
Level 1	475.00	511.38													
Level 2	2,600.00	2,733.05													
Total:	3,075.00	3,244.43													
	The Property is held with land use rights for a term due to expire on 3 September 2042 for commercial use.	As at 31 December 2010, a portion of the Property with a total lettable area of approximately 2,965 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB62,750. The remaining portion of the Property was owner-occupied.													

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
		As at 30 September 2011, the Property with a total lettable area of approximately 3,075 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB76,667.	<p style="text-align: right;">as at 31 December 2011 RMB33,370,000 (82% interest attributable to New JoySun Group: RMB27,363,400)</p>
		As at 31 December 2011, a portion of the Property with a total lettable area of approximately 3,048 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB79,000. The remaining portion of the Property was owner-occupied.	<p style="text-align: right;">as at 30 September 2012 RMB36,920,000 (82% interest attributable to New JoySun Group: RMB30,274,400)</p>
		As at 30 September 2012, a portion of the Property with a total lettable area of approximately 3,048 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB86,583. The remaining portion of the Property was owner-occupied.	

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2005) 11-023 issued by Ningbo Municipal People's Government dated 18 July 2005, the land use rights of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, comprising a total site area of 4,698.60 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 3 September 2042 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201126313 issued by Ningbo Yinzhou District Building Administrative Bureau dated 21 July 2011, the building ownership of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 6,323.86 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 3,244.43 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state																					
5. Part of New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區高橋鎮高峰村新江廈超市高橋倉庫部分)	The Property comprises a 5-storey commercial building and two 3-storey commercial buildings erected on a parcel of land with a total site area of part of 22,655.50 sq m.	As at 31 December 2008, a portion of the Property with a total lettable area of approximately 4,500 sq m was let and subject to a tenancy for a 1-year term at a total monthly rent of approximately RMB33,333 while a	as at 31 December 2008 RMB107,080,000 (82% interest attributable to New JoySun Group: RMB87,805,600)																					
	The Property has a total gross floor area of approximately 20,623.53 sq m and a total lettable area of approximately 18,800.00 sq m respectively.	portion of the Property with a total lettable area of approximately 3,200 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 31 December 2009 RMB117,050,000 (82% interest attributable to New JoySun Group: RMB95,981,000)																					
	<table border="1"> <thead> <tr> <th>Level</th> <th>Lettable Area (sq m)</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>5,795.00</td> <td>6,399.70</td> </tr> <tr> <td>Level 2</td> <td>5,795.00</td> <td>6,399.68</td> </tr> <tr> <td>Level 3</td> <td>5,870.00</td> <td>6,399.67</td> </tr> <tr> <td>Level 4</td> <td>670.00</td> <td>712.24</td> </tr> <tr> <td>Level 5</td> <td>670.00</td> <td>712.24</td> </tr> <tr> <td>Total:</td> <td>18,800.00</td> <td>20,623.53</td> </tr> </tbody> </table>	Level	Lettable Area (sq m)	Gross Floor Area (sq m)	Level 1	5,795.00	6,399.70	Level 2	5,795.00	6,399.68	Level 3	5,870.00	6,399.67	Level 4	670.00	712.24	Level 5	670.00	712.24	Total:	18,800.00	20,623.53	As at 31 December 2009, a portion of the Property with a total lettable area of approximately 2,600 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB38,333 while a	as at 31 December 2010 RMB131,190,000 (82% interest attributable to New JoySun Group: RMB107,575,800)
Level	Lettable Area (sq m)	Gross Floor Area (sq m)																						
Level 1	5,795.00	6,399.70																						
Level 2	5,795.00	6,399.68																						
Level 3	5,870.00	6,399.67																						
Level 4	670.00	712.24																						
Level 5	670.00	712.24																						
Total:	18,800.00	20,623.53																						
	The Property is held with land use rights for a term due to expire on 21 July 2043 for commercial use.	portion of the Property with a total lettable area of approximately 2,600 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 30 September 2011 RMB142,870,000 (82% interest attributable to New JoySun Group: RMB117,153,400)																					

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
		As at 31 December 2010, a portion of the Property with a total lettable area of approximately 3,200 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB60,000.	<p style="text-align: right;">as at 31 December 2011 RMB142,560,000 (82% interest attributable to New JoySun Group: RMB116,899,200)</p>
		The remaining portion of the Property was owner-occupied.	<p style="text-align: right;">as at 30 September 2012 RMB155,980,000 (82% interest attributable to New JoySun Group: RMB127,903,600)</p>
		As at 30 September 2011 and 31 December 2011, the Property with a total lettable area of approximately 3,200 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB61,150.	
		The remaining portion of the Property was owner-occupied.	
		As at 30 September 2012, a portion of the Property with a total lettable area of approximately 3,200 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB62,333.	
		The remaining portion of the Property was owner-occupied.	

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total site area of 22,655.50 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 21 July 2043 for commercial use.
2. According to Building Ownership Certificate YFQZGZ No. 200711788 issued by Ningbo Yinzhou District Building Administrative Bureau dated 20 June 2007, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 20,623.53 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).
3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state										
6. Part of New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區高橋鎮高峰村新江廈超市(高橋店)部分)	New JoySun Supermarket (Gaoqiao) comprises a 3-storey commercial building erected a parcel of land with a total site area of part of 22,655.50 sq m.	As at 31 December 2008, a portion of the Property with a total gross floor area of approximately 3,770.92 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB54,007 while a portion of the Property with a total gross floor area of approximately 1,056 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 31 December 2008 RMB31,970,000 (82% interest attributable to New JoySun Group: RMB26,215,400)										
	New JoySun Supermarket (Gaoqiao) has a total gross floor area of approximately 12,911.03 sq m.	As at 31 December 2009, a portion of the Property with a total gross floor area of approximately 3,911.78 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB64,139 while a portion of the Property with a total gross floor area of approximately 975.36 sq m was vacant and the remaining portion of the Property was owner-occupied.	as at 31 December 2009 RMB34,450,000 (82% interest attributable to New JoySun Group: RMB28,249,000)										
	According to the information provided, the Property is part of New JoySun Supermarket (Gaoqiao), which has a total gross floor area of approximately 5,175.14 sq m.	As at 31 December 2010, a portion of the Property with a total gross floor area of approximately 4,907.56 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB77,217. The remaining portion of the Property was owner-occupied.	as at 31 December 2010 RMB36,200,000 (82% interest attributable to New JoySun Group: RMB29,684,000)										
	<table border="1"> <thead> <tr> <th>Level</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>2,404.14</td> </tr> <tr> <td>Level 2</td> <td>1,523.00</td> </tr> <tr> <td>Level 3</td> <td>1,248.00</td> </tr> <tr> <td>Total:</td> <td><u>5,175.14</u></td> </tr> </tbody> </table>	Level	Gross Floor Area (sq m)	Level 1	2,404.14	Level 2	1,523.00	Level 3	1,248.00	Total:	<u>5,175.14</u>		as at 30 September 2011 RMB39,850,000 (82% interest attributable to New JoySun Group: RMB32,677,000)
Level	Gross Floor Area (sq m)												
Level 1	2,404.14												
Level 2	1,523.00												
Level 3	1,248.00												
Total:	<u>5,175.14</u>												
	The Property is held with land use rights for a term due to expire on 21 July 2043 for commercial use.												

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
		As at 30 September 2011, the Property with a total gross floor area of approximately 5,135.52 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB83,117.	as at 31 December 2011 RMB39,950,000 (82% interest attributable to New JoySun Group: RMB32,759,000)
		The remaining portion of the Property was owner-occupied.	as at 30 September 2012 RMB42,840,000 (82% interest attributable to New JoySun Group: RMB35,128,800)
		As at 31 December 2011, the Property with a total gross floor area of approximately 5,135.52 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB85,533.	
		The remaining portion of the Property was owner-occupied.	
		As at 30 September 2012, a portion of the Property with a total gross floor area of approximately 5,135.52 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB108,333.	
		The remaining portion of the Property was owner-occupied.	

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total site area of 22,655.50 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 21 July 2043 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201227537 issued by Ningbo Yinzhou District Building Administrative Bureau dated 4 September 2012, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 12,911.03 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 5,175.14 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state												
7. Part of New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區東吳鎮東村新江廈超市(東吳店)部分)	New JoySun Supermarket (Dongwu) comprises a 2-storey commercial building erected on a parcel of land with a total site area of approximately 5,940.60 sq m.	As at 31 December 2008, 31 December 2009 and 31 December 2010, a portion of the Property with a total lettable area of approximately 960 sq m was let and subject to a tenancy for a 3-year term at a total monthly rent of approximately RMB9,167. The remaining portion of the Property was owner-occupied.	as at 31 December 2008 RMB9,660,000 (82% interest attributable to New JoySun Group: RMB7,921,200)												
	New JoySun Supermarket (Dongwu) has a total gross floor area of approximately 2,924.05 sq m. According to the information provided, the Property is part of New JoySun Supermarket (Dongwu), which has a total lettable area of approximately 1,588.00 sq m and a total gross floor area of approximately 1,720.51 sq m respectively.	As at 30 September 2011 and 31 December 2011, the Property with a total lettable area of approximately 1,408 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB21,667. The remaining portion of the Property was owner-occupied.	as at 31 December 2009 RMB10,850,000 (82% interest attributable to New JoySun Group: RMB8,897,000)												
		As at 30 September 2012, a portion of the Property with a total lettable area of approximately 1,408 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB22,478. The remaining portion of the Property was owner-occupied.	as at 31 December 2010 RMB12,570,000 (82% interest attributable to New JoySun Group: RMB10,307,400)												
			as at 30 September 2011 RMB12,650,000 (82% interest attributable to New JoySun Group: RMB10,373,000)												
			as at 31 December 2011 RMB12,760,000 (82% interest attributable to New JoySun Group: RMB10,463,200)												
			as at 30 September 2012 RMB14,210,000 (82% interest attributable to New JoySun Group: RMB11,652,200)												
	<table border="1"> <thead> <tr> <th>Level</th> <th>Lettable Area (sq m)</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>628.00</td> <td>720.51</td> </tr> <tr> <td>Level 2</td> <td>960.00</td> <td>1,000.00</td> </tr> <tr> <td>Total:</td> <td>1,588.00</td> <td>1,720.51</td> </tr> </tbody> </table>	Level	Lettable Area (sq m)	Gross Floor Area (sq m)	Level 1	628.00	720.51	Level 2	960.00	1,000.00	Total:	1,588.00	1,720.51		
Level	Lettable Area (sq m)	Gross Floor Area (sq m)													
Level 1	628.00	720.51													
Level 2	960.00	1,000.00													
Total:	1,588.00	1,720.51													
	The Property is held with land use rights for a term due to expire on 20 June 2044 for commercial use.														

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2007) 05-05013 issued by Ningbo Municipal People's Government dated 14 September 2007, the land use rights of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, comprising a total site area of 5,940.60 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 20 June 2044 for commercial use.
2. According to Building Ownership Certificate YFQZDZ No. 200723257 issued by Ningbo Yinzhou District Building Administrative Bureau dated 20 September 2007, the building ownership of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 2,924.05 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 1,720.51 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state	
8. Part of New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區瞻岐鎮西城村新江廈超市(大嵩店)部分)	The Property comprises a 3-storey commercial building and a 1-storey commercial building erected on a parcel of land with a total site area of approximately 451.80 sq m.	As at 31 December 2009 and 31 December 2010, the Property was owner-occupied.	as at 31 December 2009 RMB700,000 (82% interest attributable to New JoySun Group: RMB574,000)	
	The Property has a total gross floor area of approximately 639.38 sq m.	As at 30 September 2011 and 31 December 2011, a portion of the Property with a total gross floor area of approximately 310.34 sq m was let and subject to a tenancy for a 3-year term at a total monthly rent of approximately RMB2,500.	as at 31 December 2010 RMB810,000 (82% interest attributable to New JoySun Group: RMB664,200)	
	Level	Gross Floor Area (sq m)	The remaining portion of the Property was vacant.	as at 30 September 2011 RMB880,000 (82% interest attributable to New JoySun Group: RMB721,600)
	Level 1	310.34	As at 30 September 2012, a portion of the Property with a total gross floor area of approximately 310.34 sq m was let and subject to a tenancy for a 3-year term at a total monthly rent of approximately RMB2,750.	as at 31 December 2011 RMB930,000 (82% interest attributable to New JoySun Group: RMB762,600)
	Level 2	164.52	The remaining portion of the Property was vacant.	as at 30 September 2012 RMB1,000,000 (82% interest attributable to New JoySun Group: RMB820,000)
	Level 3	164.52		
	Total:	639.38		
	The Property is held with land use rights for a term due to expire on 24 December 2040 for commercial use.			

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2011) 01-05052 issued by Ningbo Municipal People's Government dated 13 July 2011, the land use rights of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, comprising a total site area of 451.80 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 24 December 2040 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201122830 issued by Ningbo Yinzhou District Building Administrative Bureau dated 1 July 2011, the building ownership of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 639.38 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).
3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state
9. Part of New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區雲龍鎮后發商業廣場1100號新江廈超市(雲龍店)部分)	<p>New JoySun Supermarket (Yunlong) comprises level 1-2 of a 4-storey commercial building erected on a parcel of land with a total site area of approximately 3,237.63 sq m.</p> <p>New JoySun Supermarket (Yunlong) has a total gross floor area of approximately 4,413.88 sq m.</p> <p>According to the information provided, the Property is part of New JoySun Supermarket (Yunlong), which has a total lettable area of approximately 2,470.01 sq m and a total gross floor area of approximately 2,963.03 sq m respectively.</p>	<p>As at 31 December 2011, the Property was vacant.</p> <p>As at 30 September 2012, the Property with a total lettable area of approximately 2,470.01 sq m was let and subject to tenancies for various terms at a total monthly rent of approximately RMB56,406.</p>	<p>as at 31 December 2011 RMB21,880,000 (82% interest attributable to New JoySun Group: RMB17,941,600)</p> <p>as at 30 September 2012 RMB22,110,000 (82% interest attributable to New JoySun Group: RMB18,130,200)</p>

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	481.01	756.09
Level 2	1,989.00	2,206.94
Total:	2,470.01	2,963.03

The Property is held with land use rights for a term due to expire on 11 October 2049 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2012) 93-01001 issued by Ningbo Municipal People's Government dated 11 September 2012, the land use rights of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising a total site area of 3,237.63 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 11 October 2049 for commercial use.

2. According to Building Ownership Certificate YFQZYQZ No. 201227044 issued by Ningbo Yinzhou District Building Administrative Bureau dated 30 August 2012, the building ownership of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,413.88 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 2,963.03 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–

- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
- (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the Property can be freely disposed of to third parties.

5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

8 April 2013

The Board of Directors
Lisi Group (Holdings) Limited
Unit A, 5/F., Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Lisi Group (Holdings) Limited (referred to as the “Company”) for us to value the properties (the “Properties”) held by New JoySun Corp.* (寧波新江廈股份有限公司) and its subsidiaries (together referred to as the “New JoySun Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values in existing state of the Properties as at 31 December 2012 (“Date of Valuation”) for auditing purpose.

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors 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 where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis And Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Properties for specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by New JoySun Group regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the grantees or the users of the Properties have free and uninterrupted right to use or to assign the Properties for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

In valuing the Properties, we have adopted Income Approach by capitalizing the rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the Properties.

In valuing the Properties, we have complied with the requirements set out in The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by New JoySun Group or other related parties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, completion dates of building, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by New JoySun Group which is material to the valuations. We were also advised by New JoySun Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by New JoySun Group with extracts of copies of document in relation to the titles to the Properties. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior and, where possible, the interior of the Properties. We have based on the status and condition of the Properties as inspected recently to carry out our valuations. However, 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 that the Properties are free of rot, infestation or other structural defects. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the Properties and we have assumed that the gross floor areas advised to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Non-publication and Caveat

Neither the whole nor any part of this letter, summary of valuations and valuation certificates nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this letter, summary of valuations and valuation certificate is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We attach herewith a summary of our valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

* *The English translation of the Chinese names is included for information purposes only and should not be regarded as their official English translation.*

SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 31 December 2012 <i>RMB</i>	New JoySun Group's attributable interest %	Market Value in existing state as at 31 December 2012 attributable to New JoySun Group <i>RMB</i>
Properties held by New JoySun Group for investment in the PRC			
1. Part of New JoySun Department Store (Jiangdong), No. 301-305, East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC	56,310,000	100	56,310,000
2. Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC	99,300,000	100	99,300,000
3. Part of New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	14,700,000	82	12,054,000
4. Part of New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	37,320,000	82	30,602,400
5. Part of New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	157,950,000	82	129,519,000

APPENDIX VI

VALUATION REPORTS OF THE PROPERTY INTERESTS
OF NEW JOYSUN GROUP WITHIN THREE MONTHS

Property	Market Value in existing state as at 31 December 2012 <i>RMB</i>	New JoySun Group's attributable interest %	Market Value in existing state as at 31 December 2012 attributable to New JoySun Group <i>RMB</i>
6. Part of New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	43,040,000	82	35,292,800
7. Part of New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	14,280,000	82	11,709,600
8. Part of New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	1,000,000	82	820,000
9. Part of New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC	22,270,000	82	18,261,400
Total in RMB:	446,170,000		393,869,200

VALUATION CERTIFICATE

Properties held by New JoySun Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
1. Part of New JoySun Department Store (Jiangdong), No. 301-305, East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市江東區中山東路301-305号新江廈百貨(江東店)部分)	New JoySun Department Store (Jiangdong) comprises a 7-storey commercial building erected on a parcel of land with a total site area of approximately 3,449.75 sq m. New JoySun Department Store (Jiangdong) has a total gross floor area of approximately 16,762.68 sq m. According to the information provided, the Property is part of New JoySun Department Store (Jiangdong), which has a total lettable area of approximately 1,248.00 sq m and a total gross floor area of approximately 1,733.33 sq m respectively with details as follows:-	As at the date of valuation, a portion of the Property with a total lettable area of approximately 928 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 20 December 2021 at a total monthly rent of approximately RMB178,810. The remaining portion of the Property was vacant.	RMB56,310,000 (100% interest attributable to New JoySun Group: RMB56,310,000)

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	139.00	193.05
Level 2	379.00	526.39
Level 4	390.00	541.67
Level 6	340.00	472.22
Total:	1,248.00	1,733.33

The Property is held with land use rights for a term due to expire on 29 August 2047 for commercial and service uses.

Notes:–

1. According to 5 State-owned Land Use Rights Certificates YGY Nos. (2007) 0102746-0102750 issued by Ningbo Municipal People's Government dated 26 September 2007, the land use rights of the Property, which situated at No. 301-305, East Zhongshan Road, Jiangdong District, comprising a total site area of 3,449.75 sq m, have been vested in New JoySun Corp.* (寧波新江廈股份有限公司) granted for a land use term due to expire on 29 August 2047 for commercial and service uses. The details of the Property are summarized as follows:–

Certificate No.	Portion	Site Area (sq m)
YGY No. (2007) 0102747	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	681.10
YGY No. (2007) 0102746	(2-1), (2-3), (2-7), (2-8)	784.33
YGY No. (2007) 0102748	(3-1), (3-3), (3-4), (3-7), (3-10)	796.32
YGY No. (2007) 0102750	(4-3), (4-4), (4-11)	633.50
YGY No. (2007) 0102749	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	554.50
	Total:	3,449.75

2. According to 5 Building Ownership Certificates YFQZJDZ Nos. 200504423-200504427 issued by Ningbo Municipal Building Administrative Bureau dated 16 February 2005, the building ownership of the Property, which situated at No. 301-305, East Zhongshan Road, Jiangdong District, comprising a total gross floor area of approximately 16,762.68 sq m have been vested in New JoySun Corp.* (寧波新江廈股份有限公司). The details of the Property are summarized as follows:–

Certificate No.	Portion	Site Area (sq m)
YFQZJDZ No. 200504423	(1-8), (1-13), (1-14), (1-16)-(1-18), (1-20), (1-22)	3,309.51
YFQZJDZ No. 200504424	(2-1), (2-3), (2-7), (2-8)	3,811.12
YFQZJDZ No. 200504425	(3-1), (3-3), (3-4), (3-7), (3-10)	3,869.39
YFQZJDZ No. 200504426	(4-3), (4-4), (4-11)	3,078.26
YFQZJDZ No. 200504427	(5-3), (5-6), (5-7), (5-11)-(5-38), (6-3), (6-4), (6-8)-(6-16), (6-19)-(6-28), (6-31)	2,694.40
	Total:	16,762.68

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 1,733.33 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330200000003464 dated 10 July 2012, New JoySun Corp.* (寧波新江廈股份有限公司) was established as a limited company with a registered capital of RMB80,000,000 for a valid operation period from 8 November 1993 to 28 May 2027.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
- The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
2. Lisi Department Store (Xiangshan), No. 165, Jianshe Road, Dandong Street, Xiangshan, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市象山縣建設路165號利時百貨(象山店))	Lisi Department Store (Xiangshan) comprises a 5-storey commercial building erected on a parcel of land with a total site area of approximately 1,807.91 sq m. According to the information provided, the Property has a total gross floor area of approximately 6,056.21 sq m (exclusive of approximately 42 sq m without legal title on Level 1):–	As at the date of valuation, a portion of the Property with a total gross floor area of approximately 5,000 sq m was let and subject to the tenancy for a 8-year term due to expire on 30 November 2020 at a total yearly rent of approximately RMB3,500,000; another portion of the Property, with a total gross floor area of approximately 402.99 sq m was let and subject to a tenancy for a 10-year term due to expire on 14 August 2020 at a total monthly rent of 6.98% of the total monthly turnover. The remaining portion of the Property with a total gross floor area of approximately 653.22 sq m was vacant.	RMB99,300,000 (100% interest attributable to New JoySun Group: RMB99,300,000) Market Value of 5,000 sq m of the Property in existing state as at 1 December 2012 RMB71,120,000 (100% interest attributable to New JoySun Group: RMB71,120,000) Market Value of 653.22 sq m of the Property in existing state as at 31 December 2011 RMB13,820,000 (100% interest attributable to New JoySun Group: RMB13,820,000)
	Approximate Gross Floor Area (sq m)		
	Level		
	Level 1	1,953.00	
	Level 2	1,903.00	
	Level 3	1,100.00	
	Level 4	1,100.21	
	Total	<u>6,056.21</u>	
	The Property is held with land use rights for a term due to expire on 11 March 2042 for commercial use.		

Notes:–

1. The Market Value of the Property in existing state as at 31 December 2012 was RMB99,300,000. The breakdown of each portion of the Property is listed as follows:–

Portion	Gross Floor Area (sq m)	Market Value in existing state as at 31 December 2012 RMB
Levels 1-4	5,000.00	71,140,000
Level 1	402.99	13,510,000
Levels 1-2	653.22	14,650,000
Total:	<u>6,056.21</u>	<u>99,300,000</u>

2. According to 2 State-owned Land Use Rights Certificates XGY Nos. (2011) 05025-05026 issued by Xiangshan County People's Government dated 6 September 2011, the land use rights of the Property, which situated at No. 165, Jianshe Road, Dandong Street, comprising a total site area of 1,807.91 sq m, have been vested in Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司) granted for a land use term due to expire on 11 March 2042 for commercial use. The details of the Property are summarized as follows:–

Certificate No.	Site Area (sq m)
XGY No. (2011) 05025	1,185.80
XGY No. (2011) 05026	622.11
Total:	1,807.91

3. According to Building Ownership Certificate XFQZDDJDZ No. 2011-0104608 issued by Xiangshan County Building Administrative Bureau dated 17 July 2008, the building ownership of the Property, which situated at No. 165, Jianshe Road, Dandong Street, comprising a total gross floor area of approximately 6,056.21 sq m have been vested in Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司).

According to the information provided, we have noted that the Property has a gross floor area of approximately 42 sq m without legal title. In the course of valuation, we have neither verified nor taken into account such gross floor area.

4. According to Business Licence No. 330225000011341 dated 15 March 2011, Xiangshan Lisi Department Store Limited* (象山利時百貨有限公司) was established as a limited company with a registered capital of RMB20,000,000 for a valid operation period from 14 January 2008 to 13 January 2018.

5. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–

- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
- (iii) the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the Property can be freely disposed of to third parties.

6. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
3. Part of New JoySun Supermarket (Jiangshan), No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區姜山鎮人民路26號新江廈超市(姜山店)部分)	<p>New JoySun Supermarket (Jiangshan) comprises Levels 1-2 of a 4-storey commercial building erected on a parcel of land with a site area of approximately 1,382.00 sq m.</p> <p>New JoySun Supermarket (Jiangshan) has a total gross floor area of approximately 4,363.71 sq m.</p> <p>According to the information provided, the Property is part of New JoySun Supermarket (Jiangshan), which has a total lettable area of approximately 584.00 sq m and a total gross floor area of approximately 613.01 sq m respectively.</p>	<p>As at the date of valuation, a portion of the Property with a total lettable area of approximately 561 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 30 September 2013 at a total monthly rent of approximately RMB68,275.</p> <p>The remaining portion of the Property was owner-occupied.</p>	<p>RMB14,700,000 (82% interest attributable to New JoySun Group: RMB12,054,000)</p>

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	334.00	356.19
Level 2	250.00	256.82
Total:	584.00	613.01

The Property is held with land use rights for a term due to expire on December 2039 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2002) 23-724 issued by Ningbo Yinzhou District People's Government dated 24 October 2002, the land use rights of the Property, which situated at Renmin Road, Dongguang Cun, Jiangshan Town, Yinzhou District, Ningbo, comprising a total site area of 1,382.00 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on December 2039 for commercial use.

2. According to Building Ownership Certificate YFQZYQZ No. 201134707 issued by Ningbo Yinzhou District Building Administrative Bureau dated 17 October 2011, the building ownership of the Property, which situated at No. 26, Renmin Road, Jiangshan Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,363.71 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 613.01 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–

- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
- (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the Property can be freely disposed of to third parties.

5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
4. Part of New JoySun Supermarket (Hengxi), Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區橫溪鎮人民路新江廈超市(橫溪店)部分)	New JoySun Supermarket (Hengxi) comprises a 2-storey commercial building erected on a parcel of land with a total site area of approximately 4,698.60 sq m. New JoySun Supermarket (Hengxi) has a total gross floor area of approximately 6,323.86 sq m. According to the information provided, the Property is part of New JoySun Supermarket (Hengxi), which has a total lettable area of approximately 3,075.00 sq m and a total gross floor area of approximately 3,244.43 sq m respectively.	As at the date of valuation, a portion of the Property with a total lettable area of approximately 3,048 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 4 September 2015 at a total monthly rent of approximately RMB87,000. The remaining portion of the Property was owner-occupied.	RMB37,320,000 (82% interest attributable to New JoySun Group: RMB30,602,400)

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	475.00	511.38
Level 2	2,600.00	2,733.05
Total:	3,075.00	3,244.43

The Property is held with land use rights for a term due to expire on 3 September 2042 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2005) 11-023 issued by Ningbo Municipal People's Government dated 18 July 2005, the land use rights of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, comprising a total site area of 4,698.60 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 3 September 2042 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201126313 issued by Ningbo Yinzhou District Building Administrative Bureau dated 21 July 2011, the building ownership of the Property, which situated at Hengxi Cun, Hengxi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 6,323.86 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 3,244.43 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012																					
5. Part of New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區高桥镇高峰村新江厦超市高桥倉庫部分)	<p>The Property comprises a 5-storey commercial building and two 3-storey commercial buildings erected on a parcel of land with a site area of part of 22,655.50 sq m.</p> <p>The Property has a total gross floor area of approximately 20,623.53 sq m and a total lettable area of approximately 18,800.00 sq m respectively.</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Lettable Area (sq m)</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>5,795.00</td> <td>6,399.70</td> </tr> <tr> <td>Level 2</td> <td>5,795.00</td> <td>6,399.68</td> </tr> <tr> <td>Level 3</td> <td>5,870.00</td> <td>6,399.67</td> </tr> <tr> <td>Level 4</td> <td>670.00</td> <td>712.24</td> </tr> <tr> <td>Level 5</td> <td>670.00</td> <td>712.24</td> </tr> <tr> <td>Total:</td> <td>18,800.00</td> <td>20,623.53</td> </tr> </tbody> </table>	Level	Lettable Area (sq m)	Gross Floor Area (sq m)	Level 1	5,795.00	6,399.70	Level 2	5,795.00	6,399.68	Level 3	5,870.00	6,399.67	Level 4	670.00	712.24	Level 5	670.00	712.24	Total:	18,800.00	20,623.53	As at the date of valuation, a portion of the Property with a total lettable area of approximately 3,200 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 14 September 2017 at a total monthly rent of approximately RMB62,333. The remaining portion of the Property was owner-occupied.	RMB157,950,000 (82% interest attributable to New JoySun Group: RMB129,519,000)
Level	Lettable Area (sq m)	Gross Floor Area (sq m)																						
Level 1	5,795.00	6,399.70																						
Level 2	5,795.00	6,399.68																						
Level 3	5,870.00	6,399.67																						
Level 4	670.00	712.24																						
Level 5	670.00	712.24																						
Total:	18,800.00	20,623.53																						

The Property is held with land use rights for a term due to expire on 21 July 2043 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total site area of 22,655.50 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 21 July 2043 for commercial use.
2. According to Building Ownership Certificate YFQZGZ No. 200711788 issued by Ningbo Yinzhou District Building Administrative Bureau dated 20 June 2007, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 20,623.53 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).
3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012										
6. Part of New JoySun Supermarket (Gaoqiao), Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區高桥镇高峰村新江厦超市(高桥店)部分)	<p>New JoySun Supermarket (Gaoqiao) comprises a 3-storey commercial building erected a parcel of land with a site area of part of 22,655.50 sq m.</p> <p>New JoySun Supermarket (Gaoqiao) has a total gross floor area of approximately 12,911.03 sq m.</p> <p>According to the information provided, the Property is part of New JoySun Supermarket (Gaoqiao), which has a total gross floor area of approximately 5,175.14 sq m.</p>	<p>As at the date of valuation, a portion of the Property with a total gross floor area of approximately 4,294.00 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 31 October 2015 at a total monthly rent of approximately RMB84,958.</p> <p>The remaining portion of the Property was vacant.</p>	<p>RMB43,040,000 (82% interest attributable to New JoySun Group: RMB35,292,800)</p>										
	<table border="1"> <thead> <tr> <th>Level</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>2,404.14</td> </tr> <tr> <td>Level 2</td> <td>1,523.00</td> </tr> <tr> <td>Level 3</td> <td>1,248.00</td> </tr> <tr> <td>Total:</td> <td><u>5,175.14</u></td> </tr> </tbody> </table>	Level	Gross Floor Area (sq m)	Level 1	2,404.14	Level 2	1,523.00	Level 3	1,248.00	Total:	<u>5,175.14</u>		
Level	Gross Floor Area (sq m)												
Level 1	2,404.14												
Level 2	1,523.00												
Level 3	1,248.00												
Total:	<u>5,175.14</u>												
	<p>The Property is held with land use rights for a term due to expire on 21 July 2043 for commercial use.</p>												

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2008) 15-06302 issued by Ningbo Municipal People's Government dated 1 January 2008, the land use rights of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total site area of 22,655.50 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 21 July 2043 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201227537 issued by Ningbo Yinzhou District Building Administrative Bureau dated 4 September 2012, the building ownership of the Property, which situated at Gaofeng Cun, Gaoqiao Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 12,911.03 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 5,175.14 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
7. Part of New JoySun Supermarket (Dongwu), Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區東吳鎮東村村新江廈超市(東吳店)部分)	<p>New JoySun Supermarket (Dongwu) comprises a 2-storey commercial building erected on a parcel of land with a site area of approximately 5,940.60 sq m.</p> <p>New JoySun Supermarket (Dongwu) has a total gross floor area of approximately 2,924.05 sq m.</p> <p>According to the information provided, the Property is part of New JoySun Supermarket (Dongwu), which has a total lettable area of approximately 1,588.00 sq m and a total gross floor area of approximately 1,720.51 sq m respectively.</p>	<p>As at the date of valuation, the Property with a total lettable area of approximately 1,588 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 31 July 2016 at a total monthly rent of approximately RMB33,728.</p>	<p>RMB14,280,000 (82% interest attributable to New JoySun Group: RMB11,709,600)</p>

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	628.00	720.51
Level 2	960.00	1,000.00
Total:	1,588.00	1,720.51

The Property is held with land use rights for a term due to expire on 20 June 2044 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2007) 05-05013 issued by Ningbo Municipal People's Government dated 14 September 2007, the land use rights of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, comprising a total site area of 5,940.60 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 20 June 2044 for commercial use.
2. According to Building Ownership Certificate YFQZDZ No. 200723257 issued by Ningbo Yinzhou District Building Administrative Bureau dated 20 September 2007, the building ownership of the Property, which situated at Dongcun Cun, Dongwu Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 2,924.05 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 1,720.51 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012										
8. Part of New JoySun Supermarket (Dasong), Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區瞻岐鎮西城村新江廈超市(大嵩店)部分)	<p>The Property comprises a 3-storey commercial building and a 1-storey commercial building erected on a parcel of land with a site area of approximately 451.80 sq m.</p> <p>The Property has a total gross floor area of approximately 639.38 sq m.</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>310.34</td> </tr> <tr> <td>Level 2</td> <td>164.52</td> </tr> <tr> <td>Level 3</td> <td>164.52</td> </tr> <tr> <td>Total:</td> <td><u>639.38</u></td> </tr> </tbody> </table> <p>The Property is held with land use rights for a term due to expire on 24 December 2040 for commercial use.</p>	Level	Gross Floor Area (sq m)	Level 1	310.34	Level 2	164.52	Level 3	164.52	Total:	<u>639.38</u>	<p>As at the date of valuation, a portion of the Property with a total gross floor area of approximately 310.34 sq m was let and subject to a tenancy for a 3-year term due to expire on 9 March 2014 at a total monthly rent of approximately RMB2,750.</p> <p>The remaining portion of the Property was vacant.</p>	<p>RMB1,000,000 (82% interest attributable to New JoySun Group: RMB820,000)</p>
Level	Gross Floor Area (sq m)												
Level 1	310.34												
Level 2	164.52												
Level 3	164.52												
Total:	<u>639.38</u>												

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2011) 01-05052 issued by Ningbo Municipal People's Government dated 13 July 2011, the land use rights of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, comprising a total site area of 451.80 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 24 December 2040 for commercial use.
2. According to Building Ownership Certificate YFQZYQZ No. 201122830 issued by Ningbo Yinzhou District Building Administrative Bureau dated 1 July 2011, the building ownership of the Property, which situated at Xicheng Cun, Zhanqi Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 639.38 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).
3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.
4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–
 - (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
 - (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
 - (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to third parties.
5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2012
9. Part of New JoySun Supermarket (Yunlong), No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, the PRC (中華人民共和國浙江省寧波市鄞州區雲龍鎮啟發商業廣場1100號新江廈超市(雲龍店)部分)	<p>New JoySun Supermarket (Yunlong) comprises Levels 1-2 of a 4-storey commercial building erected on a parcel of land with a site area of approximately 3,237.63 sq m.</p> <p>New JoySun Supermarket (Yunlong) has a total gross floor area of approximately 4,413.88 sq m.</p> <p>According to the information provided, the Property is part of New JoySun Supermarket (Yunlong), which has a total lettable area of approximately 2,470.01 sq m and a total gross floor area of approximately 2,963.03 sq m respectively.</p>	<p>The Property is held with land use rights for a term due to expire on 11 October 2049 for commercial use.</p> <p>As at the date of valuation, the Property with a total lettable area of approximately 2,470.01 sq m was let and subject to tenancies for various terms with the latest tenancy due to expire on 31 January 2017 at a total monthly rent of approximately RMB56,406.</p>	<p>RMB22,270,000 (82% interest attributable to New JoySun Group: RMB18,261,400)</p>

Level	Lettable Area (sq m)	Gross Floor Area (sq m)
Level 1	481.01	756.09
Level 2	1,989.00	2,206.94
Total:	2,470.01	2,963.03

The Property is held with land use rights for a term due to expire on 20 June 2044 for commercial use.

Notes:–

1. According to State-owned Land Use Rights Certificate YGY No. (2012) 93-01001 issued by Ningbo Municipal People's Government dated 11 September 2012, the land use rights of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising a total site area of 3,237.63 sq m, have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) granted for a land use term due to expire on 11 October 2049 for commercial use.

2. According to Building Ownership Certificate YFQZYQZ No. 201227044 issued by Ningbo Yinzhou District Building Administrative Bureau dated 30 August 2012, the building ownership of the Property, which situated at No. 1100, Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, comprising a total gross floor area of approximately 4,413.88 sq m have been vested in New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司).

According to the information provided by New JoySun Group, in the course of our valuation, we have noted that the gross floor area of the Property of approximately 2,963.03 sq m, is within the aforesaid certificates.

3. According to Business Licence No. 330212000011533 dated 3 July 2012, New JoySun Supermarket Chain Limited* (寧波新江廈連鎖超市有限公司) was established as a limited company with a registered capital of RMB30,000,000 for a valid operation period from 31 December 2001 to 31 December 2021.

4. In the course of our valuation, we have based on the documents/information provided by New JoySun Group on the following assumptions:–

- (i) The owners of the Property are in possession of a proper legal title to the Property and are entitled to transfer the Property together with the residual term of its land use rights at no extra land premium or other onerous payments payable to the government;
- (ii) all land premium and costs of works of resettlement and provision of public utilities have been settled in full;
- (iii) the design and construction of the building are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the Property can be freely disposed of to third parties.

5. The status of the title and grant of major approvals and licenses in accordance with the information provided by New JoySun Group are as follows:–

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

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 to the best of their knowledge and belief that 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. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Acquisition will be, as follows:

As at the Latest Practicable Date

Authorised: *HK\$*

10,000,000,000 Shares of a nominal value of HK\$0.01 each 100,000,000

Issued and fully paid:

2,476,963,794 Shares of a nominal value of HK\$0.01 each 24,769,637.94

After completion of the Acquisition and upon allotment and issue of the Consideration Shares

Authorised: *HK\$*

10,000,000,000 Shares of a nominal value of HK\$0.01 each 100,000,000

Issued and fully paid:

4,176,963,794 Shares of a nominal value of HK\$0.01 each 41,769,637.94

Upon allotment and issue of the Conversion Shares upon full conversion of the Consideration Convertible Bonds

Authorised: *HK\$*

10,000,000,000 Shares of a nominal value of HK\$0.01 each 100,000,000

Issued and fully paid:

5,452,963,794 Shares of a nominal value of HK\$0.01 each 54,529,637.94

No Shares have been issued by the Company since the end of the financial year of the Company ended 31 March 2012 up to the Latest Practicable Date.

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Consideration Shares and Conversion Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the then existing Shares in issue on the respective date of allotment of the Consideration Shares and the Conversion Shares. The issued Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange. In addition, as at the Latest Practicable Date, the Company had no convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

At the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Li Li Xin	<i>Note</i>	1,350,493,014	54.52%
Mr. Xu Jin	Personal	253,837,198	10.25%

Note: Mr. Li Li Xin's interest in 1,350,493,014 Shares is held as to 5,892,000 Shares personally, 15,620,000 Shares through his spouse, Ms. Jin Ya Er and 1,328,981,014 Shares through Big-Max. Both Mr. Li Li Xin and Ms. Jin Ya Er are directors of Big-Max, which is beneficially owned as to 90% by Mr. Li Li Xin and as to 10% by Ms. Jin Ya Er.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Material interests in contracts and assets of the Group

Mr. Li Li Xin, the chairman, an executive Director and a controlling Shareholder of the Company, is indirectly interested in (i) Wealthy Honor, the vendor under the Acquisition; (ii) the Target Group; (iii) Lisi Co, the counterparty to each of the Leasing Framework Agreement and the Mutual Supply Framework Agreement; (iv) Da Mei (Ningbo) Electrical, the counterparty to the Lease Agreement (the “Lease Agreement”) dated 31 December 2012; and (v) Lisi Import and Export Company Limited, the counterparty to each of the Export Agency Agreement (the “Export Agency Agreement”) and Import Agency Agreement (the “Import Agency Agreement”) both dated 31 December 2012 (the Lease Agreement, Export Agency Agreement and the Import Agency Agreement were all entered by Ningbo Lisi Household Products Company Limited, a wholly-owned subsidiary of the Group, with the respective counterparties. For details of the said three agreements, please refer to the Company’s announcement and circular dated 31 December 2012 and 6 February 2013 respectively). Since Mr. Li Li Xin has a material interest in the Acquisition, the Continuing Connection Transactions, the Lease Agreement, Export Agency Agreement and the Import Agency Agreement, he has abstained from voting on the resolutions approving the Acquisition, the Continuing Connected Transactions, the Lease Agreement, Export Agency Agreement and the Import Agency Agreement pursuant to the bye-laws of the Company and the Listing Rules at the meeting of the Board convened for considering the resolutions in relation thereto.

Save as disclosed above, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

(c) 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 Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) Competing interests

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Enlarged Group.

Mr. Li Li Xin, the chairman, an executive Director and a controlling Shareholder, together with his spouse beneficially owns 98.15% equity interest of Lisi Co. Mr. Cheng Jian He, an executive Director, is also a director of Lisi Co. As at the Latest Practicable Date, the principal businesses of Lisi Group include the manufacturing and sale of plastic and hardware products, the operation of department stores and supermarket chain, and investments in property development in the PRC.

As at the Latest Practicable Date, Lisi Group operates four department stores (the “Excluded Department Stores”) and one supermarket (the “Excluded Supermarket”). Two out of the four Excluded Department Stores and the Excluded Supermarket are located in Ningbo City and the remaining two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City in Zhejiang Province, respectively. All four Excluded Department Stores commenced business in 2010 or 2011 and recorded net losses for each of the two financial years ended 31 December 2012. Since the Excluded Department Stores are still in their startup stage of operation and are loss making, the Directors decided not to acquire the Excluded Department Stores at the present stage.

The Excluded Supermarket is situated at the basement of one of the Excluded Department Stores and forms part of that Excluded Department and as such, the Directors decided not to include the Excluded Supermarket into the Target Group.

The Directors believe that the Enlarged Group is capable of carrying on its business independently of, and at arm's length from, the Excluded Department Stores and the Excluded Supermarket owned by Lisi Group after completion of the Acquisition, on the basis that, among other factors:–

- (a) while two of the Excluded Department Stores are situated in Ningbo City, the districts in which they are located are different from those in which the two department stores owned by the Target Group namely, New JoySun department store and Xiangshan Lisi Department Store, are located. The other two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City; and
- (b) the Company will enter into the Non-Competition Deed with Shi Hui, the Guarantors and Lisi Co (the “Covenantors”) on or prior to the date of completion of the Acquisition. Under the Non-Competition Deed, the Covenantors shall undertake not to engage, other than through the Excluded Department Stores and the Excluded Supermarket, in any businesses of manufacture and sale of household products as well as the retail trade in merchandise in department stores and supermarkets in Ningbo City. The non-competition restrictions under the Non-Competition Deed shall terminate on the earlier of (i) the date on which the Covenantors cease to be a controlling Shareholder of the Company; and (ii) the date on which the Shares ceased to be listed on the Stock Exchange. As such, Lisi Group will not open, own or operate any new department stores or supermarkets in Ningbo City other than the Excluded Department Stores and the Excluded Supermarket so long as the Non-Competition Deed is in effect. Under the Non-Competition Deed, the Covenantors shall grant the Company an option to purchase the whole or part of the interest in the Excluded Department Stores or the Excluded Supermarket. The price at which the option will be exercised shall be negotiated and agreed between the Company and Lisi Co at the time of exercise. If the parties fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price. The Covenantors will also grant the Company a right of first refusal in the event that Lisi Co wishes to sell the whole or part of its interest in the Excluded Department Stores or the Excluded Supermarket to any third party. Decisions as to whether or not to exercise the right of first refusal shall be subject to the review and approval of the independent non-executive Directors. If the Company decides not to acquire such interest, an announcement will be issued by the Company setting out the reasons for not exercising such right and Lisi Co may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to the Company. Despite the entering into the Deed of Non-Competition is not one of the conditions precedent to the Acquisition, pursuant to the Sale & Purchase Agreement, in case Shi Hui fails to, among other things, deliver the Non-Competition Deed upon completion of the Acquisition, the Company has the right to postpone completion of the Acquisition, proceed with completion of the Acquisition or terminate the Sale & Purchase Agreement.

4. SUBSTANTIAL SHAREHOLDERS

Other than the interests in respect of the Directors and chief executive of the Company as disclosed in paragraph 3(a) above, as at the Latest Practicable Date, so far as is known to the Directors or the Chief Executive of the Company, there is no other person who held interests or short positions in the Shares and underlying Shares which would need to be disclosed to the Company under the provisions interested in of Divisions 2 and 3 of Part XV of the SFO or who were, 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 had an option in respect of such capital.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group and the Target Group within the two years immediately preceding the issue of this circular:

- (a) a sale and purchase agreement dated 28 November 2012 between Big-Max and Treasure Time whereby Big-Max agreed to sell and Treasure Time agreed to purchase 84.3% equity interest in Da Mei (Ningbo) Electrical Appliance at a consideration of US\$6,441,679;
- (b) the Sale & Purchase Agreement; and
- (c) an equity transfer agreement dated 6 March 2013 between Lisi Co and New JoySun whereby Lisi Co agreed to transfer 32% equity interest in New JoySun Supermarket Chain at a consideration of RMB9,600,000.

6. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice to the contents of this circular:

Guangdong Securities Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
KPMG	Certified public accountants in relation to the accountants' report of the Target Group
Mazars CPA Limited	Certified public accountants in relation to the unaudited pro forma financial information of the Enlarged Group
DTZ Debenham Tie Leung Limited	Independent property valuer and consultant in relation to the property interests of the Target Group

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts has any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the experts has any direct or indirect interests in any assets which have been, since 31 March 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any members of the Enlarged Group.

8. GENERAL

- (a) The company secretary of the Company is Mr. Lau Kin Hon. He is a Hong Kong practicing solicitor. He is currently a non-executive Director.
- (b) The registered office of the Company is located at Clarendon House, Church Street Hamilton HM11, Bermuda.
- (c) The principal place of business of the Company is Unit A, 5/F., Garment Centre, No.576-586 Castle Peak Road Cheung Sha Wan, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer of the Company is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Unit A, 5/F., Garment Centre, No.576-586 Castle Peak Road Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "5. Material Contracts" in this appendix;

- (c) the Sale & Purchase Agreement;
- (d) the Leasing Framework Agreement and the Mutual Supply Framework Agreement;
- (e) the written consents of the experts referred to in the paragraph headed “6. Experts and Consents” in this appendix;
- (f) the annual reports of the Company for the three years ended 31 March 2012 and the interim report of the Company for the six months ended 30 September 2012;
- (g) the letter of advice issued by Guangdong Securities to the Independent Board Committee and the Independent Shareholders dated 22 May 2013, the text of which is set out on pages 58 to 86 of this circular;
- (h) the letter of recommendation from the Independent Board Committee dated 22 May 2013, the text of which is set out on page 57 of this circular;
- (i) the accountants’ report of the Target Group prepared by KPMG, the text of which is set out in Appendix II to this circular;
- (j) the report from Mazars CPA Limited on the unaudited pro forma financial information of the Enlarged Group, as set out in Appendix IV to this circular;
- (k) the property valuation report issued by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix V to this circular; the property valuation reports issued by DTZ Debenham Tie Leung limited on 22 February 2013 and 8 April 2013, in respect of portion of the Properties which are assigned as investment properties as set out in Appendix VI of this circular, to the Company for auditing purpose; and
- (l) this circular and a copy of each circular issued pursuant to the requirements set out in Chapter(s) 14 and/or 14A which has been issued by the Company since the date of the latest published audited accounts.

NOTICE OF THE SPECIAL GENERAL MEETING



LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Lisi Group (Holdings) Limited (利時集團（控股）有限公司) (the “**Company**”) will be held at Unit A, 5/F, Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 7 June 2013 at 3:00 p.m. to consider and, if thought fit, to pass the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 22 May 2013 (the “**Circular**”):

AS ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Sale & Purchase Agreement (a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Sale & Purchase Agreement and the transactions contemplated thereunder.”

2. “**THAT**

the allotment and issue of the Consideration Shares in the principal amount of HK\$510,000,000 at the issue price of HK\$0.3 per Consideration Share to Shi Hui (and/or its nominees as it may direct) be and are hereby approved.”

NOTICE OF THE SPECIAL GENERAL MEETING

3. **“THAT**

- (a) the creation and issue of the Consideration Convertible Bonds in the principal amount of HK\$382,800,000 at the initial conversion price of HK\$0.3 per Conversation Share to Shi Hui (and/or its nominees as it may direct) upon completion of the Acquisition in accordance with the Sale & Purchase Agreement be and are hereby approved;
- (b) the allotment and issue of the Conversation Shares upon the exercise of the conversion rights attaching to the Consideration Convertible Bonds at the initial conversion price of HK\$0.3 (subject to adjustment) be and are hereby approved.”

4. **“THAT**

subject to the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares and Conversion Shares, the Directors be and are hereby granted be and are hereby granted the specific mandate (the **“Specific Mandate”**) which shall entitle the Directors to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares and Conversion Shares, on and subject to the terms and conditions of the Sale & Purchase Agreement including the terms of the Consideration Convertible Bonds, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution

5. **“THAT**

- (a) the Leasing Framework Agreement (a copy of which is tabled at the meeting and marked **“B”** and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the annual caps (as set out in the Circular) of the transactions under the Leasing Framework Agreement for each of the three years ending 31 December 2015 be and are hereby approved;
- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Leasing Framework Agreement and the transactions contemplated thereunder.”

6. **“THAT**

- (a) the Mutual Supply Framework Agreement (a copy of which is tabled at the meeting and marked **“C”** and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF THE SPECIAL GENERAL MEETING

- (b) the annual caps (as set out in the Circular) of the transactions under the Mutual Supply Framework Agreement for each of the three years ending 31 December 2015 be and are hereby approved;
- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Mutual Supply Framework Agreement and the transactions contemplated thereunder.”

By Order of the Board
LISI GROUP (HOLDINGS) LIMITED
Li Li Xin
Chairman

Hong Kong, 22 May 2013

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

As at the date of this circular, the Board comprises seven Directors with Mr. Li Li Xin (Chairman) and Mr. Cheng Jian He being executive Directors, Mr. Xu Jin and Mr. Lau Kin Hon being non-executive Directors, Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian being independent non-executive Directors.