ASX ANNOUNCEMENT

23 December 2015

PROSPECTUS LODGED WITH ASIC

ABN: 14 074 009 091

ASX Code:

LCG

Phone:

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Web:

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Postal Address:

Living Cities
Development Group Limited
PO Box 383
BELMONT WA 6984

Head Office:

Living Cities
Development Group Limited
3 Camden St BELMONT
WA 6104

The Company is pleased to announce that a Prospectus has been lodged with ASIC yesterday, 22 December 2015. A copy is attached.

The capital raising by way of Prospectus is the next step in the Company's new business direction in property and infrastructure development.

The Offers under the Prospectus include a public offer for up to 15,000,000 shares at 20 cents to raise up to $3M. Within the Public Offer is a Priority Offer for eligible existing shareholders of the Company. Please refer to the Prospectus for details.

The Offers are scheduled to open on 5 January 2016 but ASIC today advised the Company that it has extended the review period from 7 to 14 days (due to Christmas) which will now end on 5 January 2016 and therefore 6 January 2015 will be the first date on which the Company will receive applications.

For further information please contact: Brett Manning – Executive Chairman on 08 9277 2600

ACN 074 009 091

ASX Code: LCG

Prospectus

1. For an offer of up to 15,000,000 Shares at a price of A$0.20 each to raise up to A$3,000,000 (**Public Offer**), the Public Offer is subject to a Minimum Subscription requirement to raise at least A$2,850,000.

2. The Public Offer includes a priority offer of up to 7,500,000 Shares to Eligible Shareholders registered as at the Priority Offer Record Date (**Priority Offer**).

3. For an offer of up to 12,500,000 Shares at a price of A$0.20 each to Yaopeng International Trade Pty Ltd (**Yaopeng**) to raise up to A$2,500,000 (**Yaopeng Placement**).

4. For an offer of up to 9,750,000 Shares at a price of A$0.20 each to Yaopeng in full settlement of A$1,950,000 owed by the Company to Yaopeng (**Debt Shares**).

5. For an offer of up to 750,000 Shares at a price of A$0.20 each to the Advisors (**Advisor Shares**) for services provided to the Company.

(Together, the **Offers**)

THE OFFERS ARE SUBJECT TO CONDITIONS

The Offers are subject to conditions – **See Section 2** for further information

This Prospectus is also a disclosure document for the purposes of satisfying LR1.1, condition 3 of the ASX Listing Rules and to satisfy the ASX requirements for re-quotation following a change to the nature and scale of the Company's activities.

PARTIAL UNDERWRITING

The Public Offer is partially underwritten to a value of A$500,000. The underwriting is conditional and subject to provisions which allow for termination by the Underwriter. Refer to Section 10.2.5. for details.

IMPORTANT NOTICE

This is an important document and investors should read the Prospectus in its entirety.

If you do not understand this Prospectus or any aspect of it, you should consult your professional advisors before deciding whether to apply for Shares pursuant to this Prospectus.

Investment in the Company under this Prospectus should be considered <u>highly speculative</u> in nature.

Prospective investors should be aware that they may lose some or all of their investment.

CORPORATE DIRECTORY

LIVING CITIES DEVELOPMENT GROUP LIMITED
ABN: 14 074 009 091

Directors

Brett L Manning	Executive Chairman
Robert (Wei) Sun	Managing Director
John L Pettigrew	Non-Executive Director

Company Secretary

Daniel J Bredenkamp

Registered Office & Principal Place of Business

Living Cities Development Group Limited
3 Camden Street
BELMONT WA 6104

Postal Address

Living Cities Development Group Limited
PO Box 383
BELMONT WA 6984

Other Contact Details

Phone:	+61 8 9277 2600
Facsimile:	+61 8 9277 5303
Email:	info@lcg.properties
Web:	www.lcg.properties

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Phone:	+61 8 9315 2333
Facsimile:	+61 8 9315 2233

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitor

Jeremy Shervington
52 Ord Street
WEST PERTH WA 6005

Bankers

Commonwealth Bank of Australia
150 St Georges Terrace
PERTH WA 6000

Securities Exchange Listing

Australian Securities Exchange
(Home Branch – Perth)

ASX Code: **LCG**

The Commonwealth Bank, the Australian Securities Exchange and Securities Transfer Registrars Pty Ltd are included in this Corporate Directory for information only and these parties take no responsibility for the contents of this Prospectus.

IMPORTANT INFORMATION

This Prospectus is dated 22 December 2015 and a copy of the Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Prospectus.

No new shares will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

The Offers of New Shares made pursuant to this Prospectus are not made in any jurisdiction other than Australia and New Zealand. The Offers of New Shares is not made to persons or places to which, or in which, it would not be lawful to make offers of securities. Where the Prospectus is accessed (whether printed or electronic) in a jurisdiction outside Australia or New Zealand, it is provided for information purposes only. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law in those jurisdictions and persons who come into possession of this Prospectus in jurisdictions outside Australia and New Zealand should comply with the relevant laws.

Within seven days of the date of this Prospectus, the Company will make application to the ASX for the quotation of the New Shares, issued pursuant to this Prospectus and for the Existing Shares of the Company to be reinstated to quotation on ASX.

Investors wishing to subscribe for New Shares should carefully read the Prospectus in its entirety, so that they can make an informed assessment of the rights and liabilities attaching to the New Shares, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects. In considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance of the Company. Investors should consider these factors in light of their own personal circumstances (including financial and taxation issues). Investors considering applying for New Shares pursuant to the Prospectus should obtain professional advice.

There are risks in investing in the Shares of the Company, as with any share investment. Section 8 of this Prospectus details risk factors that apply to the Company and the New Shares pursuant to the Prospectus.

The Prospectus contains forward looking statements which have inherent uncertainty and risk. The forward looking statements may include words like: ‘intent’, ‘may’, ‘believes’, ‘targets’, ‘could’, ‘expects’, ‘plans’ and ‘estimates’. These statements are necessarily based upon assumptions and evaluation of future events or conditions we are expected at the date of this Prospectus but which may or may not actually transpire or be accurate. There are no guarantees that such matters will occur as anticipated or at all, because of matters outside the Company’s control. The Company does not give any assurances that the results, performance or achievements expressed or implied in the forward looking statements in this Prospectus will actually occur. The Company will also not necessarily update or revise forward looking statements originally used in this Prospectus where assumptions or valuations change in the future.

Section 11 Definitions, of this Prospectus details abbreviations which appear as capitalised terms in this Prospectus.

The Company has issued both a printed and electronic version of the Prospectus. The electronic version is available at www.lcg.properties. Applications cannot be made online. Any person accessing the electronic version of this Prospectus for the purposes of making an investment must be an Australian or New Zealand resident and must only access the Prospectus within these jurisdictions.

Applications for New Shares can only be made on the appropriate Application Form accompanying the complete unaltered version of the Prospectus. The Company reserves the right not to accept any Application Form if it has reason to believe that when that person was given access to the Application Form, it was not together with the Prospectus. A Hard Copy Prospectus can be obtained free of charge from the Company. The Corporations Act prohibits one person passing an application form for New Shares to another person unless it is accompanied by a full copy of this Prospectus.

No person is authorised to give any information or to make any representation regarding the Offers. Any information or representation in relation to the Offers which is not contained in the Prospectus may not be relied upon as having been authorised by the Company or its Directors.

Chapter 6D of the Act specifies an exposure period for the Prospectus (Exposure Period) where it is circulated and any deficiencies may be identified. If the Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Act. No processing of Applications will occur during the Exposure Period and no preference is conferred on Applications received prior to the end of the Exposure Period.

The Company is currently listed on ASX but its Shares are currently suspended in accordance with the Listing Rules, following the shareholder decision to change the nature and scope of the business of the Company. The Company’s Shares may not be re-quoted on ASX if the Company fails to meet the requirements of the Listing Rules or fails to meet the conditions for the issue of Shares under the Prospectus. If this occurs New Shares will not be issued under the terms of this Prospectus and any Application funds received will be returned without interest in accordance with the Act.

Photographs used in this Prospectus are for illustration purposes only and should not be interpreted to mean that the assets or items shown in them are owned by the Company.

New Shares issued in accordance with the Offers should be considered as highly speculative.

Potential investors should be aware that they may lose some or all of their investment.

KEY DATES AND CAPITAL STRUCTURE

KEY DATES

Set out in the table below are the anticipated key dates under the terms of this Prospectus. These dates are indicative only and may be varied by the Directors without notice, subject at all times to all ASX Listing Rules and Corporations Act requirements.

TABLE 1 – Key Dates

Event	Date
Record Date for the Priority Offer	7 December 2015
Lodgement of the Prospectus with ASIC	22 December 2015
Prospectus Offers Open (Opening Date)	5 January 2016
Prospectus Offers Close (Closing Date)	1 February 2016
Settlement of acquisition of 51% of the SFP shares	4 February 2016
Issue of Shares	4 February 2016
Dispatch of Holding Statements	4 February 2016
Commencement of trading of Shares on ASX (Subject to satisfaction of all conditions for re-compliance with Chapters 1 and 2 of the ASX Listing Rules)	To be determined*

** Determined by ASX – May be any date after 4 February 2016*

Provided that the conditions for the issue of New Shares under this Prospectus have been met, the Directors reserve the right to place any Shortfall Shares in accordance with the terms of this Prospectus and the Listing Rules up to 3 months after the close of the Public Offer or such other later date that the ASX may approve within 13 months of the date of the Prospectus.

CAPITAL STRUCTURE

Set out in the table below is the effect of the issue of Share under this Prospectus on the capital structure of the Company.

See Section 1.9 for details

TABLE 2 – Capital Structure

Prospectus	Shares
Number of existing Shares on issue	5,620,647
Public Offer (Includes the Priority Offer)	15,000,000
Yaopeng Placement	12,500,000
Debt Shares	9,750,000
Advisor Shares	750,000
Total Shares (Post Prospectus – Full Subscription)	43,620,647

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LETTER FROM THE CHAIRMAN

Dear Investor,

We hear a lot in the media about this decade seeing the rise of the Asian economies, especially China. It has also become common for media commentators to assess the Australian economy against the back drop of the Chinese economy and with good cause.

Australia is the 12th largest economy in the world but we are unique in Asia for one defining trait – our limited population. Our population density ranks 235th in the world and last against all the economies with which we trade in Asia.

Why does this matter? Without the population base to create sufficient demand for our goods and services, we cannot achieve the economies of scale internally that are necessary to allow us to make our innovative thinking a commercial reality. Not unless, that is, we start looking outward.

The Asian economies with whom we trade have different cultures, different laws and different types of Governments but if we let this unfamiliarity turn our economy in on itself, then not only are we missing the massive demand for our good and services that are inherent in the Asian economies but we are also missing the incredible potential synergies.

Travelling in countries like China and Korea I have seen things that we in Australia do better but I have also seen much that we would be wise to learn from.

China in particular is an amazing story. If you were to compare China at the time I started my working career with the China of today, you could only be in awe of what has been achieved on such a massive scale. China now stands at the forefront of world economies and while it has suffered in some respects from such rapid advancement, it is already changing its economy to a mature consumption model and addressing some of the issues that rapid growth has created, like air pollution.

Why is this all relevant to your investment decision about Living Cities Development Group Limited? Demand and cross border synergies is the answer.

The Company has been fortunate to have built a strong relationship with our major Chinese shareholder, TFA International, over a number of years now. Originally investing in our previous mineral business, they are themselves very capable property developers. I say the Company is fortunate because we have had the opportunity to work together in both good and bad times and it is when things are not going so well that you get to appreciate how solid your business relationship is. I am happy to report that our business relationship is solid and our mutual respect and trust is high. This sets the scene for real cross border success.

TFA International suggested to us that we should start a new business in property and infrastructure, and that China represents the best possible crucible for early growth. Why? The sheer scale of China generates such a wealth of choice from which to select our first project or projects. We just don't have that level of extensive opportunities in Australia. If you choose your projects carefully, in areas with real urbanisation demand and strong Government support for development, then the nature of project financing in China facilitates a much larger initial project from a small capital base than would be possible in Australia. The Chinese experience with dealing with rapid expansion also means faster developments from concept to completion than we enjoy in Australia.

Why are these factors important to Living Cities? It means potential for strong early growth and relatively rapid project turnover. As a new entrant into the market, we can establish our credentials quickly and be aiming for self-sustaining profits and to grow shareholder wealth, both capital and in the future in dividends, much sooner than would be possible in Australia.

Like all business there are risks that come with the rewards of solid demand and rapid potential growth. Living Cities will need to succeed in a jurisdiction in which it is not familiar and in a field of endeavour that is new to the Company. This is where the experience of our major Chinese shareholders comes in and the synergies of combining an Australian listed public Company with a major Chinese shareholding. I want to come back to why this combination makes Living Cities stronger in a moment but first I want to highlight the first clear example of this cooperation in action.

It was our Chinese shareholders that suggested the course of action upon which the Board and the Company is now embarked because property and infrastructure development is what they know. When we asked for their assistance in locating an initial property development project, they identified a project, the Zigong GuoFeng Farmers Market (a proposed shopping centre complex) which met our investment criteria and was economically robust.

This means that the Company can potentially do very well out of this first development if things go as planned. If, however, markets tighten further, the project economics can absorb a reasonable level of less beneficial financial assumptions and still remain profitable.

That is not to say that there are not risks with this Project but to say that it is the same overarching level of commercial risk that any property development faces in an overseas jurisdiction. Our cooperation and solid business trust between the Australian and Chinese interests has the potential to deliver a win for both parties. As the major shareholder of the Company, our Chinese colleagues are going to be highly motivated to ensure success in our new business endeavours that will commence in their ‘backyard’. This is very good for the rest of Living Cities’ shareholders and potential investors.

Our stated strategy is to move to property and infrastructure developments in Australia as well, as soon as the Company is able. However, you might be asking ‘if China is so good, why try to undertake projects in Australia?’ The answer is again in synergy and in managing risk. If Living Cities can grow to the point that it has developments in China and Australia, two very different economies, we have given ourselves scope to choose and respond to changes in those economies, including how we apply our development capital. Diversity minimises risk.

What might our future developments in Australia look like? We don’t see Living Cities doing ‘cookie cutter’ apartment blocks or housing estates. There are well established operators in these markets against which we would face strong competition. We will look, instead, for opportunity where there is potentially less competition and we see the strength of the Australian market not in demand but in opportunities for unique, cutting edge solutions to ‘out of the ordinary’ property and infrastructure challenges. This is particularly of interest to us where the Company can also apply synergies from the Chinese experience in areas where China has gone beyond Australia. We want to harness both Australian ingenuity and the value of the cross-border experience for the benefit of the Company and our shareholders.

As I mentioned earlier, an Australian listed public Company operating under Australian corporate governance but with majority Chinese ownership opens the door to cross border synergies. One not insubstantial advantage is the flow of investment capital from both markets, Australia and China. Living Cities represents a great opportunity for Australian investors seeking a more direct access to the Chinese growth story without having to enter the Chinese jurisdiction as a personal investor. Likewise, in-bound Chinese investment capital seeking exposure to the Australian property market could see Living Cities as an alternative investment strategy. The Company wants to encourage this cross-border investment to grow its business.

We think Living Cities Development Group Limited brings together the right Board team, in a stable, well-regulated jurisdiction, with low sovereign risk. Combine this with experienced major shareholder support, an exciting initial project and a long term plan to grow the Company off the benefits of combining two of Asia’s most important economies.

This is an exciting time for the Company and an opportunity which you can access right at the ‘ground floor’. I trust that you share our enthusiasm for looking outward as a part of the Asian economic story, as we seek to grow an innovative and diverse property and infrastructure development group. I hope I can welcome you aboard our new endeavour.

Yours sincerely,

Brett Manning
Executive Chairman

22 December 2015

INVESTMENT OVERVIEW

<table>
<tr><th>QUESTION</th><th>RESPONSE</th></tr>
<tr><td>Who is issuing this Prospectus?</td><td>Living Cities Development Group Limited – ACN 074 009 091 (the Company)</td></tr>
<tr><td>What does the Company do?</td><td>The Company is currently restructuring its operations from ‘mineral exploration’ to ‘property and infrastructure development’ and the Offers contained in this Prospectus form part of this restructure process.
Our Mission Statement is:
To grow an innovative and diverse property and infrastructure development group through a focus on entrepreneurial drive, thorough research and ethical business practices in order to generate solid returns for shareholders and ensure sustained corporate growth over the long term.
The Company has secured an option over a controlling 51% interest in a proposed 5 story shopping centre complex in Zigong, in the Province of Sichuan in China. The Company plans to build the development, called the “Zigong GuoFeng Farmers Market” (the Project) and sell the commercial space to retailers and/or property investors.
Funds raised from the Offers under this Prospectus will be used to fund the acquisition of the interest in the Project and to advance its development, starting with detailed design and securing Government approvals for construction. The business model to develop and construct the Project and the application of funds raised under the Offers to achieve this outcome are dependent on:
• the continued feasibility of the Project following detailed design and costing;
• favourable progress of government approvals to construct the Project; and
• favourable approval of construction debt funding as currently anticipated.
Income in the form of dividends will only eventuate if the Project is successfully constructed and the retail space created is sold on a profitable basis. The Board has no immediate plan to declare or distribute dividends.
The Company will be actively seeking the next property or infrastructure development following completion of the first as the development model is repeated. Initial projects may be located in China but the long term strategy is to expand operations into the Australian market as well.
See Sections 3 and 4.1 for details.</td></tr>
<tr><td>What are the objectives of the Offers?</td><td>The objectives of the Offers are to:
• Retire existing debt of the Company;
• Raise capital to acquire a 51% interest in the Zigong Guofeng Farmers Market Project;
• Raise capital to advance development of the Zigong Guofeng Farmers Market Project as described in Section 3.2.4, in accordance with the budget set out in Section 1.7;
• Raise working capital; and
• Secure re-quotation of the Company’s Shares on the ASX to facilitate access to capital markets.
See Sections 1.6, 1.7 and 3.2.4 for details.</td></tr>
<tr><td>What are the benefits of investment in the Company’s shares?</td><td>• Cross border property and infrastructure investment aims to capitalise on the best characteristic of China and Australia
• Direct access to Chinese property and infrastructure development demand
• Early stage entry into a company developing into the property and infrastructure industry in targeted areas of steady demand
• Faster development cycle times from concept, through construction to sale in the Chinese market
• Australian corporate governance coupled with in-country support in the Chinese property development expertise from the Company’s major shareholders
• Aiming to grow the company off its initial successes in China into the Australian market, looking to apply innovative property and infrastructure solutions to local opportunities
• Diversifying risk over time through a two market strategy in very different economies
• Aiming to attract investment from Australian investors who want more direct exposure to the demand of the Chinese economy and Chinese investors looking for exposure to property opportunities in Australia
See the Investment Highlights section on page 14 for details.</td></tr>
</table>

QUESTION	RESPONSE
Who is supporting the Offers and what will be the result of this support for the Company?	The Company's major shareholder, TFA International Pty Ltd, proposed the reconstruction and change of business to property and infrastructure development. TFA has financially supported the preparation of the Offers and also identified an investor, Yaopeng International Trade Pty. Ltd. to provide financial support to the restructure. Yaopeng has taken over debt owed by the Company which will be converted to equity under the Offers at the same price per share as other investors. Yaopeng is also providing a A$2,500,000 cash placement, also at 20 cents per share and have entered into a partial underwriting agreement to cover $500,000 of the Public Offer. As a result of this support, Yaopeng and TFA will collectively end up with between 54.8% and 61.6% of the shares of the Company and control over its operations. Shareholders of the Company approved these arrangements on 30 November 2015. Yaopeng and TFA support the initiatives laid out in this Prospectus for the future business of the Company. *See Section 1.15 for details.*
What work does the Company propose to carry out after the Offers are complete?	Immediately upon the successful completion of the Offers under the terms of this Prospectus, the Company will secure 51% of the company (SFP) that holds the Project and will, therefore, become controller of the Project. SFP will establish a site office and identify and engage a suitably qualified Chinese Project Manager to advance the Project. The Shareholders of SFP (the Company and the minority 49% holder) will collectively contribute around A$1,000,000 to immediately: 1. commence a detailed design and costing of the development; 2. prepare and submit applications for the remaining Government approvals prior to construction; 3. commence preliminary site preparation and temporary facilities; 4. apply for and secure construction debt funding requirements; 5. commence project site, foundations and below ground works; 6. once constructed to 'sea level', commence pre-sales of commercial space; 7. continue construction of the rest of the Project to completion; and 8. complete sales of all commercial space. The programme of work above is expected to be completed over a two-year period from the completion of the Offers (actual construction time is estimated at 18 months). Also during year 2, the Company will step up its efforts to identify a potential next property or infrastructure development project to which the revenues from the sales of the first project can be applied. The work programme is contingent on the continued feasibility of the Project at each stage of development. *See Sections 3.2 and 5 for details.*
What are the key risks of investment in the Company's Shares?	You should consider the key risks when deciding whether to invest in the Shares of the Company. Investment in the Company's Shares should be considered highly speculative. The financial performance and position of the Company can be materially adversely impacted by a range of risks, including risks over which the Company does not have any control. Some of the key risks of investing in the Company are briefly summarised below. Refer to Section 8 for full details. This is not an exhaustive list. Each of these key risks could negatively impact the prospects, position and profitability of the Company. Customer Demand Risk The profitability of the proposed property development Project of the Company relies on potential retailers, property managers or property investors purchasing commercial space in the Project. There is no guarantee that the customers will purchase space at the pace and for the price anticipated in the Project planning, or at all. Capital Funding Requirements The development of the proposed property development Project is dependent on loan funding to meet a proportion of the construction cost requirements. In the event that such capital is not available as anticipated, other possibly less favourable arrangements will need to be implemented. Foreign Jurisdiction Risk The Company's operations will be subject to laws in China, as well as Australia. Changes to the law in either jurisdiction could materially impact the business of the Company.

QUESTION	RESPONSE
Key Risks (Continued)	**Taxation Risks** The compliance of the Company with taxation requirements across multiple jurisdictions will be more complex than a company which only operates in Australia, which may result in additional management costs. **Repatriating Profits** The repatriation of profits from China is controlled by the Chinese Government. Should the repatriation of profits be delayed or prevented, this could negatively impact the Company. **Regulatory Approvals** Construction of the Project cannot commence until further Chinese Government approvals are secured. Approvals that are secured in the future may be delayed or have disadvantageous terms. **Land Use Right Risks** The land upon which the Project is to be built is secured by a Land Use Right from the Chinese Government. The laws relating to Land Use Rights may be amended in the future to the detriment of the Company. **Share Market Risks** Investing in shares has an inherent level of risk. The Shares of the Company will remain 'speculative' for some time into the future until the Company's new business has grown and matured into a sustained business model. **Future Profitability** There can be no certainty at this stage about the ability of the Company to secure and sustain profits into the future. If the proposed Project is not profitable, the Company does not have any other source of income. **Exchange Rate Risks** The Company must account for its operations in Australian dollars but its primary operations will initially occur within China in Chinese Yuan. This will expose the Company to exchange rate movement risks. **SFP Share Transfer Risk** At settlement, the Company will secure ownership of 51% of the shares in SFP (the Project company) when it receives the signed share transfer documentation. The registration of the transfer with the Chinese authorities is a procedural process but should this transfer not be registered successfully for any reason; it would have a negative impact on the Company. **Construction Risk** While the Company will ensure that SFP engages reputable and experienced contractors on fixed price contracts where possible to perform the design and construction of the Project, if there are construction quality issues, this could impact the profitability of the Project. Any underestimation of construction costs or indirect cost overruns may also negatively impact Company profitability. **Lack of Insurance Risk** Insurance companies in China offer a limited range of commercial insurance products and some are prohibitively expensive compared to Australia. There may be some risks which would normally be covered by insurance in an Australian context that will not be covered in China. If a catastrophic event, to which no insurance will respond, impacts the Project, this could negatively impact Company profitability. **Contract Risk** If the Company is unable to perform any of its contractual obligations or the counter parties in contracts with the Company fail to perform their contractual obligations, the business of the Company could be impacted. **Future Property and Infrastructure Developments** If the Company is unable to identify and secure further future property or infrastructure development opportunities, this could negatively impact the ability of the Company to sustain profitable operations. **Control Risks** Upon completion of the Offers, Yaopeng will have a controlling interest in the Company. This will allow Yaopeng to have a great influence over many of the decisions of the Company. Yaopeng may have different interests and views in the future to other Shareholders or even to that of the Board and may choose to exercise the rights available to it as controlling shareholder.

QUESTION	RESPONSE
Key Risks (Continued)	Enforcement of Judgements The PRC Government does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with most western countries and this might make it difficult for the Company to enforce any judgements from any non-PRC courts against parties within China. It would be expected, however, that the Company's wholly owned Chinese subsidiary would be able to secure judgements of courts in the PRC which would be enforceable there. The list of key risks above is not an exhaustive list. Please review Section 8 before making any investment decision. *See Section 8 Risk Factors for details.*
Is there an Independent Technical Specialist Report on the Project?	The Company has engaged China United Asset Appraisal Group (Australia), the Australian arm of a major and highly respected Chinese real estate and valuation firm to complete a technical review of the Project. The Independent Technical Specialist Report is located at Section 5 of this Prospectus. The Report addresses the Project and its prospects in the context of the Chinese property development market. It also addresses some of the risks specific to the Project and to the Chinese property market as a whole. The report is a technical report and not a valuation report. See Section 5 Independent Technical Specialist Report for details.
Is there an Independent Chinese Solicitors Report on legal aspects of the Company's plans in China?	The Company has engaged Sichuan Renhou Lawyers Office; an independent Solicitor licenced to practice law in China to assess certain key questions relating to the Company's proposed business in China. This Report addresses matters such as: • Is the Company's subsidiary in China properly registered? • Is the company SFP, which the Company plans to acquire a 51% interest in, properly registered and with the correct shareholdings? • What is the share transfer process to acquire a 51% interest and how does it normally proceed? • Can the Company repatriate profits from its Chinese operations to Australia after paying its taxes? *See Section 7 Independent Chinese Solicitors Report for details.*
Who are the Directors of the Company?	Brett Manning (Executive Chairman) Robert (Wei) Sun (Managing Director) John Pettigrew (Independent Non-Executive Director) *See Section 4.2 for details.*
What will be the financial position of the Company upon completion of the Offers?	The Company's financial position is set out in Section 9.2 and in the Investigating Accountants Report in Section 6. Upon completion of the Offers, the Company will have extinguished all existing material debt of the Company and will have uncommitted net cash reserves of A$1.8M. This is after acquisition of its first Project interest and commitment of the initial A$550,000 in development funding to the Company's Chinese subsidiary, Panaust. Panaust will, in turn, loan $510,000 to the Project's management company, SFP, for the initial development works on the Project and will retain the balance for working capital. As part of the acquisition of the Project interest, the Company will take on a receivable of 4.8M Yuan (A$1,059,000) from the Project company SFP and would have responsibility for 51% of a 12.0M Yuan (A$2,648,000) bank loan SFP holds which is secured over the Project land. The Company does not currently have any source of income and will not generate any revenues or profits until toward the end of the second year following the completion of the Offers. The early stage nature of the Project means that the Company does not have any reliable basis to provide any prospective financial information or ratios relating to the Company's current or future financial performance and financial stability. The Company will apply the proceeds of the Offers as detailed in Section 1.7. *See Section 6 Investigating Accountant's Report and Section 9 Financial Information for details.*
What is the minimum investment?	The minimum investment is A$2,000 (10,000 shares). Additional investment is to be made in A$200 (1,000 share) increments. *See Section 1 Details of the Offer for details.*

QUESTION	RESPONSE
What benefits are being paid to Directors or related parties?	The benefits paid to the Directors of the Company are set out below: • Mr. Brett Manning is engaged as Executive Chairman on a full-time salaried basis under a contract of employment as detailed in Section 10.2.7. • Mr. Robert (Wei) Sun is engaged as Managing Director on a full-time salaried basis under a contract of employment as detailed in Section 10.2.8. • Mr John Pettigrew is appointed to the Board as an Independent Non-Executive Director of the Company and receives Board Fees as detailed in Section 10.6.2. • Mr. Daniel Bredenkamp is engaged as Company Secretary of the Company on a part-time hourly basis under a contract of employment as detailed in Section 10.2.9. *See Section 10.1 for details.*
What are the material contracts to which the Company is a party?	The Company is party to the following contracts that are material to the Company and its business operations or to the Offers under this Prospectus: 1. Yaopeng Share Subscription Agreement with Yaopeng 2. Agreement for Approval to Transfer Debt with TFA and Yaopeng 3. Multiple Loan Agreements with Yaopeng 4. SPF Acquisition Option Agreements with Huiming Feng and Jingda Song 5. Partial Underwriting Agreement with Yaopeng 6. Miscellaneous Loans & Creditor Agreements 7. Employment Contract with Mr. Brett Manning 8. Employment Contract with Mr. Robert (Wei) Sun 9. Employment Contract with Mr. Daniel Bredenkamp 10. SFP Shareholder Agreement *See Section 10 for details.*
What are the key terms of the Public Offer?	The Offer Price for the Public Offer is 20 cents per New Share. The Public Offer is 15,000,000 New Shares at 20 cents per New Share to raise up to A$3,000,000. The Minimum Subscription under the Public Offer is A$2,850,000. *See Section 1.1 for details.*
I am already a Living Cities Shareholder. Do I get any priority?	Investors who were already Shareholders of the Company on 8 December 2015 (the Record Date for the Priority Offer) get priority rights to up to 50% (collectively) of the Shares to be issued under the Public Offer. *See Section1.11 for details.*
Is the Public Offer Underwritten and are commissions or fees paid to brokers?	The Public Offer is partially underwritten to the value of A$500,000 by Yaopeng. Investors do not pay any fees or commissions on an investment in New Shares. The Company expects to pay fees and/or commissions to broker as set out in Section 10.4.5. The Company will pay 5% of the value of New Shares placed in respect of any Application Form bearing the stamp of an AFS Licensee, to that licensee. *See Sections 1.3, 1.4 and 10.4.5 for details.*
How do I apply for Shares under the Public or Priority Offers?	Applications for New Shares can be made by completing an Application Form contained in or accompanying this Prospectus and dispatching it to the Company by one of the methods specified on the Application Form. Completed Application Forms must be either accompanied by a cheque in Australian dollars or an Electronic Funds Transfer for the full Subscription Amount in accordance with the instructions on the Application Form. *See Section 1.12 for details.*
When will I know if my application has been successful and when will my Shares be quoted?	A Holding Statement will be sent to the registered address shown on the Application Form confirming your allocation, if successful, under the Offers. The Company will apply to ASX for quotation of the New Shares within 7 days of lodging the Prospectus with ASIC. Trading in the Company's Shares under the ASX Code: LCG will commence on a date to be determined by ASX, not less than 3 days after the successful close of the Offers. *See Sections 1.12 and 1.13 for details.*
Can I speak to a representative about the Offers?	Questions relating to the Offers can be directed to the Company on +61 8 9277 2600 during business hours (WST). *See the Corporate Directory for further contact details.*

INVESTMENT HIGHLIGHTS

- Living Cities Development Group Limited represents part of a growing waive of Australia/China cooperative cross border investments that aim to harness the best both countries have to offer.
- The chance, from the beginning, to own a part of a Company launching into carefully selected property and infrastructure developments in China and Australia.
- Inland China offers urbanisation with a 'steady state' demand that is significantly higher on average than experienced in Australia.
- Initial growth for the Company is enhanced by the Chinese market, where the Company can undertake larger projects from a smaller capital base and see them completed in much shorter project cycle times than in Australia, driving early growth.
- Unique opportunity through the "partnership" of an Australian listed public company with a majority Chinese ownership where the Chinese shareholder brings property development experience and in-country advice to the table and the Company brings world's best practice Corporate Governance in a mature and stable regulatory environment.
- With success in initial rapid growth China based developments creating experience and reputation, Australia then offers great scope for expansion into innovative, cutting edge property and infrastructure opportunities in a solid economy with excellent stability and low sovereign risk.
- The Company can then ultimately source property and infrastructure development opportunities on two continents in two very different markets that will diversify group risk and open the door for further cross border synergies.
- Further investment funding, if needed in the future, can capture Australian funding sources looking for direct access to the Chinese demand that cannot be matched in Australia and Chinese in-bound investment into Australia looking for a trusted vehicle to invest through into the Australian property market.

Please note: There are risks associated with all investments, including investment in the Company's Shares. It is recommended that you read this Prospectus in its entirety, particularly Section 8 Risk Factors, before making any investment decision.

1. DETAILS OF THE OFFERS

1.1 SHARES OFFERED FOR SUBSCRIPTION UNDER THE OFFERS

By way of this Prospectus, the Company makes the following Offers:

1.1.1 PUBLIC OFFER

The Company offers for subscription 15,000,000 Shares at an issue price of 20 cents each to raise A$3,000,000 at full subscription.

1.1.2 PRIORITY OFFER

Included within the Public Offer of 15,000,000 Shares, the Company offers for subscription 7,500,000 Shares of the Public Offer Shares in priority for applications from existing Eligible Shareholders (**the Priority Offer**).

1.1.3 YAOPENG PLACEMENT

Coincident with the successful completion of the Offers, the Company offers subscription for 12,500,000 Shares to Yaopeng at an issue price of 20 cents each to raise A$2,500,000 as approved by the Shareholders of the Company at a General Meeting held on 30 November 2015.

1.1.4 DEBT SHARES

Coincident with the successful completion of the Offers, the Company offers subscription for 9,750,000 Shares to Yaopeng at an issue price of 20 cents each in full satisfaction of A$1,950,000 owed by the Company to Yaopeng, as approved by the Shareholders of the Company at a General Meeting held on 30 November 2015. No funds are raised as a result of the issue of Debt Shares.

1.1.5 ADVISOR SHARES

The Company offers subscription for up to 750,000 Shares to Advisors in satisfaction of services provided to the Company, as approved by the Shareholders of the Company at a General Meeting held on 30 November 2015. No funds are raised as a result of the issue of Advisor Shares.

1.1.6 NEW SHARES

All New Shares issued under this Prospectus will rank equally with all existing ordinary Shares of the Company.

The rights and liabilities attaching to New Shares issued under this Prospectus are detailed at Section 10.1.

1.2 MINIMUM SUBSCRIPTION

The Minimum Subscription in relation to the Public Offer is $2,850,000 under the terms of the Prospectus. No New Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription has not been received within four months of the date of this Prospectus, the Company will either refund all Subscription Amounts without interest in accordance with the Corporations Act or issue a supplementary or replacement prospectus. In the case that the Company elects to issue a supplementary or replacement prospectus, you will be given one month to decide if you wish to withdraw your application. If you withdraw your application, your Subscription Amount will be refunded in full without interest.

1.3 PUBLIC OFFER PARTIALLY UNDERWRITTEN

The Company has entered into a Partial Underwriting Agreement with Yaopeng for A$500,000 of the Public Offer. The obligations on Yaopeng to subscribe for up to A$500,000 worth of New Shares if requested by the Company are subject to certain normal underwriting exclusions. Details relating to the Partial Underwriting Agreement are specified in Section 10.2.5.

1.4 COMMISSIONS AND BROKER FEES

Valid Applications for New Shares pursuant to the Public Offer against which New Shares are issued and which bear the stamp of a holder of an Australian Financial Services Licence issued by ASIC (**AFS Licence Holder**) on the Application Form will entitle the AFS Licence Holder whose stamp appears on the Application Form to a fee of 5% (exclusive of GST) of that proportion of the Subscription Amount against which New Shares are issued pursuant to that Application Form.

In addition, the Company expects to enter into one or more agreements with brokers and advisors to facilitate the Offers. The Company would remunerate these parties through the issue of some or all of the 750,000 New Shares from the Advisor Shares Offer and/or the payment of fees or commissions in cash. The total remuneration value to be paid by the Company under these arrangements is not expected to exceed 10% of the total Public Offer in aggregate. Fees, Commissions or Advisor Share will only be provided to AFS Licence Holders. See Section 10.4.5 for further details.

1.5 OFFER PERIOD

The Offers under this Prospectus will open on the Opening Date of 5 January 2016. The Offer will remain open until the **Closing Date at 5:00PM WST on 1 February 2016**. Refer to Section 1.10 for other Key Date relating to the Offer.

The Opening Date and Closing Dates may be varied by the Directors without prior notice. You are therefore encouraged to submit your Application as soon as possible.

No new shares will be issued pursuant to this Prospectus later than 13 months after the date of the Prospectus.

1.6 OBJECTIVES OF THE OFFER

The objectives of the Offers are to:

- Retire existing debt of the Company;
- Raise capital to acquire a 51% interest in the Zigong Guofeng Farmers Market Project;
- Raise capital to advance development of the Zigong Guofeng Farmers Market Project as described in Section 3.2, in accordance with the budget set out in Section 3.2.4;
- Raise working capital; and
- Secure re-quotation of the Company's Shares on the ASX to facilitate access to capital markets.

1.7 USE OF FUNDS

The Company intends to apply the funds raised under the Offers over a two-year period as specified in Tables 3 and 4 below.

TABLE 3 – Proposed Use of Funds – Full Subscription

FULL SUBSCRIPTION	**Year 1**	**Year 2**
Total Funds Raised	**$ 5,500,000**	
Utilised as follows:		
Acquisition of 51% of SFP Interest	$ 2,110,000	$ -
Project Pre-construction Design and Approvals	$ 550,000	$ -
Corporate Administration Costs	$ 660,000	$ 660,000
Identification of New Projects	$ -	$ 100,000
Repayment of Other Creditors	$ 1,085,000	$ -
Expenses of the Offer	$ 75,000	$ -
Total Funds Utilised	**$ 4,480,000**	**$ 760,000**
Balance at the End of the Year	$ 1,020,000	$ 260,000

TABLE 4 – Proposed Use of Funds – Minimum Subscription

MINIMUM SUBSCRIPTION	**Year 1**	**Year 2**
Total Funds Raised	**$ 5,350,000**	
Utilised as follows:		
Acquisition of 51% of SFP Interest	$ 2,110,000	$ -
Project Pre-construction Design and Approvals	$ 550,000	$ -
Corporate Administration Costs	$ 660,000	$ 660,000
Identification of New Projects	$ -	$ 100,000
Repayment of Other Creditors	$ 1,085,000	$ -
Expenses of the Offer	$ 71,250	$ -
Total Funds Utilised	**$ 4,476,250**	**$ 760,000**
Balance at the End of the Year	$ 873,750	$ 113,750

Please Note: The above tables should be read in conjunction with the notes on the following page.

Notes:

1. *Assumes 50% on all money raised on the Public Offer Applications by value bear the stamp of a broker, being due fees at 5% of the funds raised under those Applications.*
2. *Further detail on the budgets for the specific application of 'Project Pre-Construction Design & Approvals is provided in Section 3.2.4.*
3. *The tables above state the Director's current intention as at the date of this Prospectus. The allocation of funds set out above may change depending on a number of factors such as markets, regulatory changes, operational results, refinement of planning and in response to available business information. Therefore, the Board reserves the right to alter the application of the funds in the interests of the prudent management of the Company.*
4. *Other than commissions detailed in Section 1.4 and discussed at Note 1 above, expenses associated with the Offers have been funded by Yaopeng and the conversion of these expenses to equity is provided for in the Debt Shares Offer.*
5. *While the Directors are satisfied that upon completion of the Offers under the proposed Prospectus, the Company will have sufficient working capital to meet its stated objectives as outlined in Section 1.8, should the Company expend its cash reserves faster than anticipated or be unable to access funding sources as planned, this could slow implementation of the business plan, which may ultimately negatively affect the prospects of the Company and the value of its Shares. Please refer to Section 8 for details on the key risks that relate to the Offers.*

1.8 Working Capital

On successful completion of the Offers, the Company will have sufficient capital to carry out the objectives stated in this Prospectus.

1.9 Capital Structure

Upon completion of the Offers, the capital structure of the Company at Full Subscription and Minimum Subscription will be as set out in the tables below:

TABLE 5 – Effect of the Offer on Capital Structure (Full Subscription – No Yaopeng Underwriting)

Capital Structure (Full Subscription – No Underwriting)	Major Shareholders (Yaopeng & TFA)	Other Shareholders	Total	Percentage Holding
Existing Shares	1,639,342	3,981,305	5,620,647	12.88%
New Shares under this Prospectus	22,250,000	15,000,000	37,250,000	85.40%
New Shares to Advisors	-	750,000	750,000	1.72%
Total at Re-Quotation on ASX	(54.8%) 23,889,342	(45.2%) 19,731,305	43,620,647	100.00%

TABLE 6 – Effect of the Offer on Capital Structure (Minimum Subscription – Full Yaopeng Underwriting)

Capital Structure (Minimum Subscription – Full Underwriting)	Major Shareholders (Yaopeng & TFA)	Other Shareholders	Total	Percentage Holding
Existing Shares	1,639,342	3,981,305	5,620,647	13.11%
New Shares under this Prospectus	24,750,000	11,750,000	36,500,000	85.14%
New Shares to Advisors	-	750,000	750,000	1.75%
Total at Re-Quotation on ASX	(61.6%) 26,389,342	(38.4%) 16,481,305	42,870,647	100.00%

The Tables above are prepared on the assumption that no other shares are issued in the interim.

After successful completion of the Offers at the time of re-quotation on the ASX, the major associated shareholders Yaopeng and TFA will collectively hold between 54.8% and 61.6% of the ordinary Shares of the Company that are on issue at that time and will therefore have a controlling interest in the Company. Further details about Yaopeng and TFA are available at Section 1.15, including their intentions if they secure a controlling interest in the Company.

The New Shares to be issued to Advisors are described at Section 10.4.5.

The Company has not issued any new equity securities in the Company in the 12 months preceding the date of this Prospectus. Other than ordinary Shares, the Company has no other securities, such as options or convertible notes, currently on issue.

Prior to the Offers, the Company has only one major shareholder with greater than 5% of the Shares on issue, being TFA with 29.17%.

1.10 TIMETABLE FOR THE OFFERS

Set out in the table below are the anticipated key dates under the terms of this Prospectus. These dates are indicative only and may be varied by the Directors without notice, subject at all times to all ASX Listing Rules and Corporations Act requirements.

TABLE 7 – Timetable of the Offers

Event	Date
Record Date for the Priority Offer	7 December 2015
Lodgement of the Prospectus with ASIC	22 December 2015
Prospectus Offers Open (Opening Date)	5 January 2016
Prospectus Offers Close (Closing Date)	1 February 2016
Settlement of acquisition of 51% of the SFP shares	4 February 2016
Issue of Shares	4 February 2016
Dispatch of Holding Statements	4 February 2016
Commencement of trading of Shares on ASX (Subject to satisfaction of all conditions for re-compliance with Chapters 1 and 2 of the ASX Listing Rules)	To be determined*

** Determined by ASX – May be any date after 4 February 2016*

The Company Reserves the right to extend the Offers or close the Offers early without notice. Applicants are therefore urged to lodge their Applications and Subscription Amounts as soon as possible.

Provided that the main issue of New Shares has been completed, the Directors reserve the right to place any Shortfall Shares in accordance with the terms of this Prospectus and the Listing Rules up to 3 months after the close of the Public Offer or such other later date that the ASX may approve within 13 months of the date of the Prospectus.

1.11 THE PRIORITY OFFER AND DETERMINATION OF APPLICATIONS

Eligible Shareholders who were entered on the Company's share register as holding Share in the Company on the Record Date for the Priority Offer (8 December 2015) are entitled to priority for Applications for New shares made under the Public Offer in respect of (collectively) 50% of the New Shares being offered. Eligible Shareholders should tick the appropriate box on the Application Form in order to secure their New shares under the Priority Offer. An Eligible Shareholder is a holder of Shares in the Company on the Record Date, as entered in the Company's share register with a registered address in Australia or New Zealand, but specifically excluding any related party of the Company. Applications for the Priority Offer will be checked against the register on the Record Date to confirm eligibility. If an Applicant has ticked the Priority Offer box on the Application Form but the Company determines that the Applicant is not entitled to the Priority Offer, their Application will be allocated to the Public Offer.

Applications from Eligible Shareholder will be met from the pool of New Shares available under the Priority Offer. In the event that there are Priority Offer shares left after all applications from Eligible Shareholders have been processed, then the balance of the Priority Offer New Shares will be available for issue under the Public Offer. In the event that there are Applications from Eligible Shareholders which exceed the number of New Shares available under the Priority Offer, the balance of these Applications shall be treated as Public Offer Applications and on the same basis as other Public Offer applications.

Allocation within a group, for either Priority Applications or Public Applications will be determined on the basis of the first 10,000 New Shares for each applicant shall take first priority. If the balance of the Applications in a group exceeds the available pool, the Applications will be scaled back equally. Any further allocation issues will be determined by the Directors at their ultimate discretion.

In the event that Applications need to be scaled back, no single Applicant will be entitled to more than 20% of the New Shares available unless all other Applications have been satisfied.

1.12 APPLYING FOR NEW SHARES

Before deciding to make an Application for New Shares, please read this Prospectus in its entirety.

If you require any advice about the Offers contained in this Prospectus, please contact your professional advisor.

An Application for New shares can only be made on an Application Form contained in or accompanying a copy of this Prospectus. The Applications Form must be completed in accordance with the instructions provided on it. The Application Form is provided at the back of this Prospectus.

Applications must be for a minimum of 10,000 New Shares (A$2,000 Subscription Amount), with additional investment multiples of 1,000 Shares (A$200 Subscription Amounts).

Related Parties of the Company, other than Yaopeng and its nominees that hold a shareholder approval participate in the Offers as described in this Prospectus, may not participate in the Offers.

No brokerage, stamp duty or other costs are payable by Applicants.

By lodging an Application Form and Subscription Amount with the Company, you are making a binding and irrevocable offer to subscribe for New Shares in accordance with the Application.

The issue of New Shares against an Application is deemed to be our acceptance of your application to apply for New Shares.

If the Company receives the Application Form or Subscription Amount after the Closing Date, the Company may reject the Application and will, in that event, return the Subscription Amount in full without interest.

Completed Application Forms must be lodged with the Company, to be received before the Closing Date, by either:

(a) Post to: Living Cities Development Group Limited
Reply Paid 383
BELMONT WA 6984

Note: No stamp is required if the Reply Paid address is used. Please also note that as new postal priority systems apply at Australia Post, normal mail takes longer to reach its destination. Therefore, please post your Applications well before the Closing Date or use priority post.

(b) Scanned and emailed to: info@lcg.properties

(c) Faxed to: (08) 9277 5303

Application Forms must be accompanied by the applicable Subscription Amount being calculated as the number of New Shares applied for, multiplied by the Issue Price of A$0.20 per New Share.

The Subscription Amount may be paid by:

(a) Including a cheque in Australian dollars drawn on an Australian bank with the Application Form if it is posted; or

(b) Electronic Funds Transfer (EFT) if the Application Form is emailed or faxed. If paying by EFT, follow the instructions on the Application Form.

Cheques must be made payable to "Living Cities Development Group Limited – Share Issue Account" and crossed "Not Negotiable". Attach cheques to the Application form securely. Cheques not properly drawn or signed may be rejected.

If paying the Subscription Amount by EFT, you are still required to complete and lodge an Application Form.

An Application does not have to be signed to be valid. By completing and lodging an Application Form with the Company, the Applicant authorises the Directors to complete or amend the Application Form where necessary to correct any errors or omissions. Where the Subscription Amount does not match the Application Form, the Directors will amend the Application Form accordingly to match the Subscription Amount actually received.

1.13 Issue of New Shares

The Company reserves the right to reject any Application or to issue a lesser number of New Shares than that applied for by an Applicant. If the number of New Shares issued is less than that applied for, the surplus Subscription Amount will be promptly refunded without interest.

The New Shares will be issued as soon as practicable after satisfaction of the conditions of the Offer as specified in Section 2.

The New Shares will rank pari passu in all respects with the Existing Shares and will have full voting rights.

Holding Statements (similar to bank statements) will be dispatched to successful Applicants as required by the ASX, rather than share certificates. Applicants are responsible for verifying the number of New Shares they are issued prior to trading. Applicants that sell New Shares before receiving their Holding Statements do so at their own risk.

The Company has two electronic sub-registers forming its register of Shares, being a CHESS Sub-register and an Issuer Sponsored Sub-register.

1.14 Electronic Prospectus

A read-only version of this Prospectus is available on the Company's website at www.lcg.properties. Please note that there is no on-line application facility.

The electronic version of this Prospectus may only be accessed by an Australian or New Zealand resident from within Australia and New Zealand. If the electronic version of this Prospectus is otherwise accessed, it is for information only and not for investment. If you access the electronic version of the Prospectus you should ensure you download and read the entire document.

If you would prefer a paper copy of the Prospectus (**Hard Copy Prospectus**), we will provide one for free. Please contact the Company by phone or email and one will be dispatched together with an Application Form. The Corporations Act prohibits any person passing on to another person an Application Form unless it is attached to or with a Hard Copy Prospectus or it accompanies the complete and unaltered electronic version of the Prospectus.

1.15 New Controlling Shareholders

The successful implementation of the Offers under this Prospectus will result in a change of control of the Company in favour of Yaopeng and TFA. This proposed change of control was approved by Shareholders on 30 November 2015 at a General Meeting of the Company. This Section 1.15 explains the change of control and its impact on the Company.

1.15.1 Background on TFA and Yaopeng

TFA is the Company's only substantial Shareholder with 29.17% of the Existing Shares on issue before the Offers. The interests involved in TFA have been heavily involved in property and infrastructure development in China for more than a decade. TFA identified an investor, Yaopeng International Trade Pty Ltd ("Yaopeng") to undertake the further financial investments in the Company required to support the Offers and assist the Company to transition its business to property and infrastructure development.

Yaopeng is the Australian subsidiary of Chengdu Yaopeng Electrics and Machinery Trading Co., Ltd of Sichuan Province in China. Yaopeng has agreed to participate in the Offers and has separately acquired the debt owed by the Company to TFA (meaning this debt is now owed to Yaopeng). Yaopeng has also agreed to take over the provision of loan funding to meet the Company's operating requirements until the Offers are completed. Both the debt acquired from TFA and further funds to be loaned by Yaopeng to the Company during the lead-up and implementation of the Offers will be converted to equity under the Debt Shares Offer that forms part of the Offers under the Prospectus. The Debt Shares will be issued to Yaopeng at the same Share price as for all Shares issued under the Offers.

While Yaopeng and TFA share no common shareholder or directors, the Company assumes that they are working in concert and as such treats them as related parties of each other and of the Company. The Company sought and obtained Shareholder approval on 30 November 2015 for the purposes of Section 606(1) of the Act for TFA and Yaopeng to secure a controlling interest in the Company under the Offers.

As a result of Yaopeng's participation in the Debt Share Offer and the Yaopeng Placement Offer under this Prospectus, the voting power of TFA and Yaopeng collectively in the Company would increase from the 29.17% held by TFA before the Offers to a combined Yaopeng/TFA minimum of 54.8% after the Offers. It could also increase up to as much as 61.6% in circumstances that:

(a) require Yaopeng to meet the entire Partial Underwriting due to an unsubscribed shortfall in the Public Offer; and

(b) only the minimum subscription level for the Public Offer (A$2.85M) is achieved.

In either case, Yaopeng will have a controlling interest in the Company on completion of the Offers under this Prospectus.

At the date of this Prospectus, Yaopeng and TFA do not have any associates who independently hold Shares in the Company.

1.15.2 Yaopeng Statement of Intention

Upon completion of the Offers Yaopeng will individually hold not less than 51% of the Company and therefore control. It is expected that TFA would operate in concert with Yaopeng, but as Yaopeng has a controlling interest in its own right, it is Yaopeng's intentions that are considered here.

Yaopeng has stated that if it controls the Company after successful implementation of the Offer, it supports the business plans set out in this Prospectus and has no plans to seek changes that are not specified in this Prospectus.

Specifically, Yaopeng:

1. Is not seeking any changes to the composition of the Board and would support the Company's intention to grow the Board over time to augment the skills of the Board as the nature and scale of the Company's operations evolve;
2. Is not seeking any strategic change in the business of the Company and supports the business plan set out in the Prospectus;
3. Sees any changes (if any) in the personnel of the Company as a matter for the operational management of the Company;
4. Is not seeking to dispose of assets of the Company, acquire new assets and/or otherwise redeploy assets of the Company, other than as set out in the Prospectus;
5. Is not seeking to inject further capital into the Company at this time, other than as proposed under the Offers; and
6. Is not seeking to transfer any assets whatsoever between the Company and Yaopeng or TFA.

Yaopeng has indicated that the intentions disclosed here are based on the facts and information regarding the Company and the general business environment that are known to Yaopeng as at the date of this Prospectus. The above statements therefore reflect current intentions only as at the date of this Prospectus and Yaopeng's intentions may change as new information becomes available or circumstances change or with the passage of time.

Any decisions that Yaopeng may make on its course of action going forward will be made in light of material facts and circumstances at the relevant times and after Yaopeng receives appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

1.15.3 CHANGES IN VOTING POWER

The maximum extent of the increase in the voting power of Yaopeng and TFA that would result from the Offers is as set out below.

Tables 8 and 9 below show the minimum increase in voting power of Yaopeng and TFA collectively once the Offers are complete on a Full Subscription and Minimum Subscription basis and assuming no other Shares are issued in the meantime.

TABLE 8 – Change in Voting Power of Yaopeng and TFA (Full Subscription and no Yaopeng Underwriting)

Event **(Full Subscription and No Yaopeng Underwriting)**	**Yaopeng and TFA**
No. of Shares (% of voting power) held as at the date of the Prospectus Total Existing Shares: 5,620,647	1,639,342 (**29.17%**)
No. of Shares (% of voting power) held by Yaopeng and TFA after the Offers: *TFA: 1,639,341 (3.8%)* *Yaopeng: 22,250,000 (51.0%)* Total Shares on issue (full subscription) = 43,620,647	23,889,342 (**54.8%**)
The **increase** in the number of Shares (% of voting power) held by Yaopeng and TFA following the Offers (Full Subscription).	Increase in voting power of: 54.8% - 29.17% = **25.63%**

TABLE 9 – Change in Voting Power of Yaopeng and TFA (Minimum Subscription and full Yaopeng Underwriting)

Event **(Minimum Subscription and Yaopeng Maximum Underwriting)**	**Yaopeng and TFA**
No. of Shares (% of voting power) held by Yaopeng and TFA after the Offers: *TFA: 1,639,342 (3.9%)* *Yaopeng: 24,750,000 (57.7%)* Total Shares on issue (Minimum Subscription) = 42,870,647	26,389,342 (**61.6%**)
The **increase** in the number of Shares (% of voting power) held by Yaopeng and TFA following the Offers (Minimum Subscription).	Increase in voting power of: 61.6% - 29.17% = **32.43%**

1.16 NO PROSPECTIVE FINANCIAL FORECASTS

After considering ASIC Regulatory Guide 170, the Directors note that, due to the early stage of the initial Project's development, there are significant uncertainties associated with forecasting the implementation of the new business plan in respect of timing, expenses and revenues. The Directors do not believe that they have a reasonable basis to reliably forecast future earnings and therefore financial forecasts and future financial performance cannot be reliably estimated and are therefore not included in this Prospectus. The Company will apply the funds raised by the Offers as set out in Section 1.7 Use of Funds.

1.17 DEFINITIONS

Capitalised terms as used in this Prospectus are defined in Section 11. In this Prospectus "*we*", "*us*", "*our*" refer to the Company as the context requires. "*you*" and "*your*" refers to Applicants and potential Applicants as the context requires.

1.18 OFFERS NOT MADE OUTSIDE AUSTRALIA AND NEW ZEALAND

The Offers of New Shares made pursuant to this Prospectus are not made in any jurisdiction other than Australia and New Zealand. The Offers of New Shares is not made to persons or places to which, or in which, it would not be lawful to make offers of securities. Where the Prospectus is accessed (whether printed or electronic) in a jurisdiction outside Australia or New Zealand, it is provided for information purposes only. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law in those jurisdictions and persons who come into possession of this Prospectus in jurisdictions outside Australia and New Zealand should comply with the relevant laws.

Residents of jurisdictions outside Australia and New Zealand wishing to subscribe for New Shares should consider doing so using an Australian domiciled entity or nominee associated with an Australian broking firm.

Additionally, to qualify as an Eligible Shareholder under the Priority Offer, an otherwise qualified Shareholder must have a registered address in Australia or New Zealand on the Company's Share register on the Record Date.

1.19 SHORTFALL OFFER

Any New Shares available for issue under the Public Offer, which are not otherwise issued to Applicants to the Public Offer, shall form the Shortfall Shares pool. The Shortfall Shares shall be available for issue as determined by the Directors on the same terms and conditions as the other New Shares under this Prospectus. The Directors reserve the right to place any Shortfall Shares up to 3 months after the close of the Public Offer or such other later date that the ASX may approve within 13 months of the date of the Prospectus.

Related Parties of the Company, including but limited to both the current and recently retired director of the Company, may not participate in the Shortfall Offer without Shareholder approval.

2. CONDITIONS OF THE OFFER

Each of the following in Section 2 is a condition of the Offers. No New Shares will be issued under the Offers unless each of these conditions is met. If the conditions of the Offer cannot be met, the Subscription Amounts will be promptly refunded without interest.

All Subscription Amounts will be paid into a separate trust bank account on behalf of the Applicants until the New Shares are issued.

2.1 MINIMUM SUBSCRIPTION

If the Minimum Subscription requirements detailed in Section 1.2 are not met, no New Shares will be issued under the terms of this Prospectus.

2.2 ASX QUOTATION

As a function of the Company changing the scale and nature of its business activities to 'property and infrastructure development', the Company Shares are suspended from quotation on the ASX pending successful completion of the Offers, satisfaction of the terms for the issue of New Shares under this Prospectus and ASX approval in accordance with the requirements of Chapters 1 and 2 of the Listing Rules for the re-quotation of its Shares.

Within seven days of the date of this Prospectus, the Company will make application to the ASX for the quotation of the New Shares, issued pursuant to this Prospectus and for the Existing Shares of the Company to be reinstated to quotation on ASX. If the ASX does not grant its approval for the re-quotation of the Company's Shares, no New Shares will be issued under the terms of this Prospectus.

The fact that ASX may approve re-quotation of the Company's Shares on the ASX is not to be taken in any way as an indication of the merits of the Company or its securities.

2.3 OTHER SUBSCRIPTION AMOUNTS

If Yaopeng does not complete subscription for the Yaopeng Placement Offer Shares by the Closing Date, no New Shares will be issued under the terms of this Prospectus. In the event that Yaopeng is requested by the Company to subscribe for an amount of New Shares in accordance with their Partial Underwriting obligations, up to a maximum value of the Partial Underwriting Amount, no New Shares will be issued under the terms of this Prospectus until that subscription is met.

3. COMPANY AND PROJECT OVERVIEW

3.1 Company Overview

3.1.1 Background

The Company was quoted on the ASX in 2006 as Ferrowest Limited, operating in iron ore exploration but with the downturn and structural changes in the iron industry, the Company has adopted a proposal put forward by its major shareholder, TFA international Pty. Ltd. (TFA), to change the business of the Company to "property and infrastructure development". This Prospectus represents the last step in the reconstruction and recapitalisation of the Company in pursuit of its new business objectives.

Upon successful completion of the Offers, the Company's existing debts will be extinguished, the Company's interest in its first new property development will be acquired and the Company will have cash reserves to pursue its new business activities.

Also as a result of the Offers, TFA and its associate, Yaopeng International Trade Pty. Ltd. (Yaopeng), will collectively hold between 54.8% and 61.6% of the Company's ordinary Shares and therefore a controlling interest in the Company.

3.1.2 The New Business of the Company

The Company seeks to grow quickly to establish itself in the property and infrastructure development market. To achieve this goal from a relatively modest base, the Company has chosen inland China as the target region for its initial property development. This choice is in response to the initial development characteristics which the Board has determined as follows:

- Projects of a scale that the Company can secure a controlling interest, as a minimum;
- Relatively short construction timeframes of around 18 months;
- Developments that meet community needs in apartments, retail space, office space and/or infrastructure;
- Where urbanisation is strongly supported by the Government; and
- Projects in areas where there is already existing demand and Government development planning.

Other key factors that the Board believes support inland China as an initial development location are:

- Lower relative equity requirements for projects, allowing larger initial projects than would be possible in Australia;
- The pace of construction in China from concept to completion is quicker than is typical in Australia, allowing a greater turnover of project over time than would be possible from an all Australian based operation;
- Even though demand in China has slowed, the constant march of urbanisation dwarfs the scale of development in Australia and provides the potential for steadier and more reliable demand if developments are chosen carefully; and
- Local in-country support in China with expertise and project development advice available through our major shareholder's property development expertise.

The business model is to develop the projects and sell them on to end-user tenants as the construction is completed. The sale proceeds would then be applied to acquiring the next project for development and the process repeated, with the aim of growing the extent and scale of the property development business over time.

The processes for foreign owned companies moving funds in and out of China are clearly defined and the Company expects to be able to repatriate profits from China as required once the Chinese Government taxes are paid. However, the tight Chinese Government controls do mean that some risks could exist for the Company in this regard. For further details, see Section 7, the Independent Chinese Solicitor's Report and Section 8 on Risk Factors.

3.1.3 Long Term Strategic Direction

With the successful completion of one or more projects in China, the Company would aim to leverage off this success to undertake property and infrastructure developments in Australia. The strategic driver behind this approach is to establish a presence in two different but interconnected markets. This will diversify risk and allow the Company to capitalise on the best opportunities provided in the two jurisdictions. It will also allow the Company to make the best of each jurisdiction, the trade and synergies between them and the flow of capital funding, effectively, in both directions.

For future property or infrastructure developments in Australia, the Company would be looking for innovative, value added developments that offer greater returns by allowing the Company to deliver unique or high end solutions in niche areas of the market.

Whilst the Board will be looking for new opportunities both in China and Australia, even while the first property is being developed, it is expected that the Company will need to complete one or more successful projects before it can explore the two continent approach. The long term direction of the Company is provided here for information only.

It is highly likely that the Company would require further additional equity and debt funding before it could implement an expansion of its activities and such funds are not contemplated as part of the current Offers. There is also no timetable set for such a potential expansion. The Proposed Use of Funds (see Section 1.7) does however provide for the costs associated with seeking subsequent project opportunities.

3.2 DIRECTORS' PROJECT OVERVIEW

3.2.1 THE ZIGONG GUOFENG FARMERS MARKET PROJECT

As a first project under the new business in property and infrastructure development, the Company has identified a property development project in the City of Zigong in Sichuan Province in China called the ***Zigong GuoFeng Farmers Market*** (**the Project**). The Project envisages the construction of a proposed 5 storey commercial property (shopping centre) on a 9,057m^2 site in an area already undergoing urbanisation. Originally called the Guodun Farmers Market, the name has been changed recently for marketing reasons.

The Company has secured an option to purchase a 51% interest in the private company which owns the Project, subject to successful completion of the Offers under this Prospectus. As stated above, the business model is to develop the Project and sell the commercial floor space for a profit, as the construction is completed.

Sichuan Province, China

3.2.2 THE PROJECT AREA

There are two new cities in the vicinity of the Project, being Yantan New District in which the Project is located and the adjacent Nanhu District. The population of Yantan New District is currently around 30,000 people with around 3km^2 out of an eventual 5km^2 developed to date[1]. A population of 57,000 is expected to be living in Yantan New District in the next three years[2]. The Project is also located 7.9km from Wuxing Avenue, the old commercial centre of Zigong City and 5km from the current city centre.

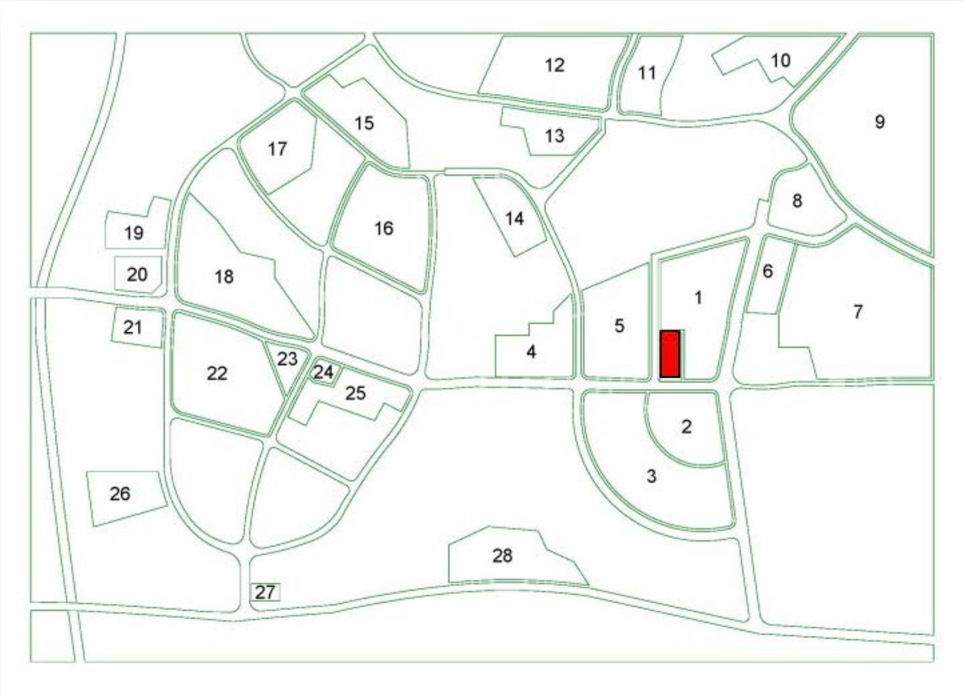
The centre of Nanhu District is 2.7Km from the Project. Nanhu District is planned to be the new centre of Zigong City and covers an 8.2km^2 area. The planned population is around 75,000 in the next three years but may already be well on the way to achieving this target with 24,600 dwellings (units) already occupied[3].

The Yantan New District has 'high-end' residential developments nearby to the Project, creating a good market for potential buyers of the commercial space in the development.

The following graphics, including the Key diagram on the following page, provide an overview of the area surrounding the Project.

The edge of the main City of Zigong itself can be seen abutting the highway on the top left corner of the photo.

[1] Official website of the Yantan and Longhu New City Government
[2] Yantan New District Government Information Brochure
[3] Housing Administration Bureau of Zigong



Key diagram

KEY

1. Commercial/Residential (under construction)	11. Equipment manufacturing business (Power station components)	21. Commercial/Residential (under construction)
2. Commercial/Residential/Hotel/Tourism/Parks (under construction)	12. Residential (occupied/finished)	22. Commercial/Residential (partially occupied/finished)
3. Commercial/Residential/Hotel/Tourism/Parks (under construction)	13. Residential (occupied/finished)	23. Commercial/Residential (partially occupied/finished)
4. Commercial/Residential (under construction)	14. Commercial/Residential (occupied/finished)	24. Commercial/Residential (under construction)
5. Commercial/Residential (under construction)	15. Residential (occupied/finished)	25. Commercial/Residential (under construction)
6. School (technical college)	16. Commercial/Residential (occupied/finished)	26. Residential (under construction)
7. School (technical college)	17. Commercial/Residential (occupied/finished)	27. Commercial/Residential/Hotel/Tourism/Parks (under construction)
8. School (construction engineering college)	18. Commercial/Residential (partially occupied/finished)	28. Commercial/Residential/Hotel/Tourism/Parks (under construction)
9. Hospital (treats 10,000 patients a year)	19. School (Primary Students)	
10. Structural Steel Business	20. Hospital (smaller than No. 9)	

The following photographs show the site for the Proposed Zigong GuoFeng Farmers Market. The site is cleared, with excellent access on the western and southern boundaries. All street scape infrastructure is in place.

Cleared Project Site
(Looking North North East from the South West Corner)

The Project Site runs North South
(Looking North up the centre of the site)

3.2.3 Government Approvals Required

There are six main approvals required from the PRC Government for developments like this Project in China.

These are:

1. Record Notice of Enterprise Investment Project (project registration and establishment);
2. Land Use Planning Permit;
3. Planning Design Approval
4. Construction Drawing Approval (detailed design);
5. Construction Engineering Planning Permit; and
6. Construction Permit.

The first of these has been completed. It sets the basic parameters and characteristics of the development.

Good existing infrastructure and access
(Looking East from the east corner of the site)

The second approval is also complete and relates to environmental matters such as soils and water conservation and environmental impact. The third and fourth approvals are the most complex approvals. Approval three has been secured but item four is applied for after the detailed design is complete. Approval four loosely equates to a development approval in Australia and like in Australia, these approvals can take varying amounts of time to secure. SFP will start on the detailed design work leading to an application for the Project Construction Drawing Approval as soon as the Offers under this Prospectus are complete. There are currently no known impediments that should unnecessarily delay or prevent the approval for the Project being achieved. The Project site is already cleared, zoned and serviced with infrastructure. The scope and nature of the Project is already approved.

It is not unusual for applications for the Construction Drawing Approval to require amendment and re-submission in much the same way as local council building approvals in Australia can sometimes require more than one iteration of the lodgement before approval is received. As with construction in Australia, there are other minor approvals for different aspects of the Project but they will be handled in the normal course of business.

Street showing other nearby apartments
(Looking West from in front of the site)

However, if one of these approvals is delayed or rejected for any reason, this could negatively impact the prospects of the Project and the Company. Please refer to Section 8 of this Prospectus for more detail on some of the relevant risks associated with the Project and the new business plan.

Construction of the Project is expected to take around 18 months to complete. The construction of multi-storey apartment buildings in the area are already well advanced and those under construction will start to be occupied in 2016. Infrastructure to the surrounding area is in place and there are nearby education, health care and recreational facilities.

The foot print of the shopping centre itself will be approximately 3,600m^2. The first, third and fourth floors will be commercial space totalling about 7,900m^2. The second floor will be a 4,100m^2 farmer's market area.

The planned second floor is larger than the foot print of the building because it is currently planned for the farmer's market to extend onto a balcony and will consist of around 500 individual stall areas. The stall areas may be sold individually farmers or may be sold in blocks to property managers or investors. The ground floor will be divided into 40 shops and will be sold individually. The third and fourth floors will be divided into two areas each and sold to property developers, property managers or major retailers. The fifth floor will have 218m^2 of office space which may be used by the shopping centre management and does not figure in the sales estimates.

The Company has commissioned China United Asset Appraisal Group (Australia) to provide an Independent Technical Specialist Report on the Project (Included in full at Section 5 of this Prospectus). Investors are encouraged to read the Report in full.

3.2.4 The Work Programme

Upon successful completion of the Offers, the Company has committed to provide A$510,000 (2,310,963 CNY) to SFP by way of a further unsecured loan, which will be matched by SFP's other shareholder in proportion to their shareholding, being A$490,000. This combined A$1M will be used by SFP to undertake the following initial development activities:

- A$587,000 on detailed design and final planning approvals;
- A$287,000 on construction site services and foundation works;
- A$84,000 in financing fees; and
- A$42,000 on administration and establishing initial sales capacity.

SFP has an existing loan facility (discussed further below) of 12,000,000 CNY (A$2,648,247) secured against the Project land, which has been expended on the project establishment to date. It is expected that at the appropriate time, this loan facility could be increased to 18,000,000 CNY. There can be no certainty about this increase being approved until the application is made at the appropriate time in the future but this increase is believed to be within the bank loan guidelines. This increase, if approved, would make another 6,000,000 CNY (A$1,324,123) available to assist with development funding requirements.

The additional A$1,324,123 loan funds would be applied to initial below ground foundation works and any remaining approvals.

The loan is an interest only loan at 6.175%pa interest rate. SFP's current intention is to repay the bank loan from the proceeds of the sale of the completed Project commercial (retail) space at a later date.

Subject to securing to:

- completion of the detailed design phase;
- satisfactory financial analysis of the Project economics; and
- securing the last of the Government approval required for construction,

the final construction financing component planned by SFP, with the exact amount determined following the detailed design, will be further loan funding of approximately 13,000,000 CNY (A$2,870,000) that is planned to be secured against the Project development that will have been completed to that stage. These further funds will likely be in the form of an interest bearing loan from a bank at the prevailing interest rate for the type of loan that can be secured.

These three sources of funding will total around A$5.1M toward development of the Project. There is no certainty at this early stage that this additional debt funding can be secured and on what terms. This represents a risk for the Project and the Company. Please see Section 8 for further details on investment risks. The Company would need to pursue alternative funding option for this shortfall if loan funding cannot be secured, such as supplying SFP with more loan funding from the Company's cash reserves (this burden shared with the other shareholder in the Project) or seeking other debt of equity funding solutions. The alternative solutions may be on better or worse terms than currently planned for the bank loan and therefore could impact the prospects of the Company accordingly.

In Zigong, construction must be completed to 'sea level' (i.e. foundations and basement facilities) before the pre-sale of commercial (retail) space in the Project can commence. Once sea level is reached, all commercial space planned to be constructed for the Project may be placed up for sale. Initial payments are deposits but full payments are also usually received before construction is complete. This makes revenue from sales a strong source of funds to meet ongoing construction requirements.

With around a quarter of the construction costs funded as described above, it is usual in China for the pre-sales funding to be able to meet the remainder of the construction costs. However, accurate construction cost estimates and sales cashflow projections can only be prepared after detailed design is complete.

In the event that:

- construction costs exceed current planning estimates; or
- sales not proceed at the expected rates or for the expected prices; or
- further debt funding is unable to be secured for any reason,

more funding would be required to continue the planned pace of construction.

The Company and the other shareholder in SFP have agreed that should additional funds be required, each shareholder in SFP will contribute further funds in proportion to their relative shareholding. This sharing of any additional funding will reduce any potential burden on the Company, if any of these events impact construction cashflow. The Directors believe that the Company would be able to meet any likely further contribution of capital to the Project from available funding for the likely relatively short period before pre-sales cash flow from the development could meet the ongoing construction cashflow requirements and repay the extra funding advanced.

One further contingent solution to an unanticipated cashflow deficit in the Project would be for the Company to raise further capital from the market but currently the Directors believe this is an unlikely outcome.

However, these possible events specified above do represent a risk to the success of the proposed new business plan and should be considered in the context of the overall risks associated with the new business plan as further detailed at Section 8 of this Prospectus.

3.2.5 ACQUISITION OF THE PROJECT

The Project is wholly owned by the private Chinese company Sichuan Fuchuang Property Co., Ltd. (SFP). SFP holds the 40 year 'Land Use Right' to the Project site (which expires 3 June 2053) and various initial Government approvals for the Project. No detailed design or site construction works have commenced at this stage. As discussed above, further Government approvals will be needed after the detailed design phase, before construction can begin.

The Company has entered into option agreements (the Options) with the two current shareholders of SFP through its 100% Chinese private company subsidiary Panaust (Chengdu) International Trade Co., Ltd (Panaust) to acquire a total 51% share interest in SFP. These Options are conditional only on successful completion of the Offer, including re-compliance with the ASX Listing Rule requirements for the re-quotation of the Company's Shares on the ASX. The acquisition will see Panaust hold 51% of SFP and Mr Jingda Song is expected to continue to hold most or all of the 49% minority holding. Panaust has also entered into a "Shareholders Agreement with Mr. Jingda Song to cover the orderly operation of SFP. Details of this agreement are provided at Section 10.2.10.

TFA assisted the Company to locate the Project but neither of the current shareholders of SFP, Mr. Huiming Feng or Mr. Jingda Song, or SFP itself are related parties of either TFA or Yaopeng. The negotiation and agreement of the Options was a normal arms-length commercial transaction between the Company and the two shareholders of SFP.

The total acquisition price for the 51% interest in SFP is 9,280,000 CNY (A$2,047,977). The Company will also pay option fees upon settlement of the acquisition. The contractual arrangements for the Option and details of the option fees are detailed in Section 10.2.4.

The Company will pay cash at settlement for the 51% share interest in SFP coincident with the issue of the Shares upon successful completion of Offers. The processes to complete this SFP share transfer in China are explained in Section 7, the Independent Chinese Solicitor's Report.

The business objectives of the Company following the successful completion of the Proposal would be for SFP, then controlled by the Company, to commence works toward the development of the Project. Initially, this will involve detailed design works, establishing construction contracts with professional local contractors and securing the remaining Government approvals necessary for construction to commence. The total capital cost of the Project is expected to be in the order of A$20M but an exact estimate will only be available after the detailed design phase is completed.

The business model is that SFP would sell most or all of the retail space constructed, from which it will derive profits for its shareholders, including the Company.

3.2.6 ABOUT SFP

The following information on SFP is based on the 30 June 2015 accounts of SFP which have been audited by an authorised external Chinese Auditor. The externally audited Statement of Financial Position of SFP for 30 June 2015 is provided Table 10 below. SFP was established as the Project vehicle and has no current source of income and all expenditure relates to the development of the Project.

The primary asset of SFP is the land (a 40-year land use right in China) for the Project, together with the associated Government approvals and preliminary Project conceptual work completed to date. The carrying value of the land in the SFP accounts is A$6,359,056. This represents a 3.6%pa increase in value since the purchase of the land use right from the PRC Government in 2011.

The land is security with Harbin Bank Co., Ltd in China for a bank loan borrowed by SFP. At 30 June 2015 this loan was for 12,000,000 CNY (A$2,648,247) as shown in the Statement of Financial Position below (grouped with Other Borrowings). This is a rolling 12-month facility that comes up for renewal on 8 December each year and has just been renewed on 8 December 2015.

While not considered a likely outcome, if the loan could not be renewed for any reason on 8 December 2016, then it would have to be otherwise refinanced. If it was not possible to refinance this loan for any reason, there would be a risk that SFP might lose the land and, as a consequence, the Project. The Directors believe this risk is unlikely to eventuate but it should be considered in the context of the risks associated with the implementation of the business plan as detailed in Section 8.

SFP also has unsecured, interest free loans owed to its two shareholders of A$1,990,825 in total. Following successful exercise of the acquisition Options, the debt to the shareholders would be:

(a) Owed to Panaust: 4,800,000 CNY (A$1,059,299); and

(b) Owed to Jingda Song: 4,221,025 CNY (A$931,526).

Sichuan Fuchuang Properties Co., Ltd.
Statement of Financial Position
As at 30 June 2015

ASSETS	
Current Assets	
Cash	3,142
Land	6,359,056
Total Current Assets	6,362,198
TOTAL ASSETS	6,362,198
LIABILTIES	
Current Liabilities	
Trade and other payables	17,234
Other Borrowings	4,639,072
Total Current Liabilities	4,656,306
TOTAL LIABILITIES	4,656,306
NET ASSETS	1,705,892
EQUITY	
Issued Capital	1,942,048
Accumulated Losses	(236,156)
TOTAL EQUITY	1,705,892

TABLE 10 – Audited Statement of Financial Position – 30 June 2015

With the further commitment of loan funds by the shareholders of SFP following completion of the Offers, the debt owed by SFP to its shareholders will then become:

(a) Owed to Panaust: 7,110,963 CNY (A$1,569,299); and

(b) Owed to Jingda Song: 6,441,362 CNY (A$1,421,526).

These loans would be the last debt repaid from proceeds of the sale of commercial space in the Project toward the end of the development period. These loans are unsecured and currently not interest bearing.

3.2.7 Operational Management of the Project

The Company will have a controlling interest in SFP and has entered into a Shareholder Agreement with SFP's minority shareholder, Mr. Jingda Song to ensure the orderly management and operation of the company. Details of the Shareholder agreement are provided at Section 10.2.10.

The business model that the Company intends for SFP to follow is for the construction of the Project to be fully contracted to experienced professional local contractors. SFP would employ a qualified local Chinese Project Manager with experience of similar construction in China to represent SFP on site and in contract negotiations with suppliers and builders. The Project Manager will also be charged with responsibility for construction performance monitoring and liaison with Chinese regulatory authorities.

A small SFP office will also be established to support the Project Manager and for other administrative matters. The construction budget includes allowances for this management oversight of the Project and for the establishment of sales facilities and a sales team that would market the sale of the commercial spaces.

Once the Offers are successfully completed and the Company secures ownership of 51% of SFP, it will work with the minority shareholder in SFP to search for, identify and recruit a suitable Chinese Project Manager as a priority. No person has been considered for this position at this time.

The Company has a subsidiary already established in Chengdu, China called Panaust (Chengdu) International Trade Co., Ltd. ("Panaust"). Panaust will be the vehicle for the Company's activities in China if the Proposal is approved. Panaust will hold the shares in SFP. Panaust is not expected to employ any staff in China at this time.

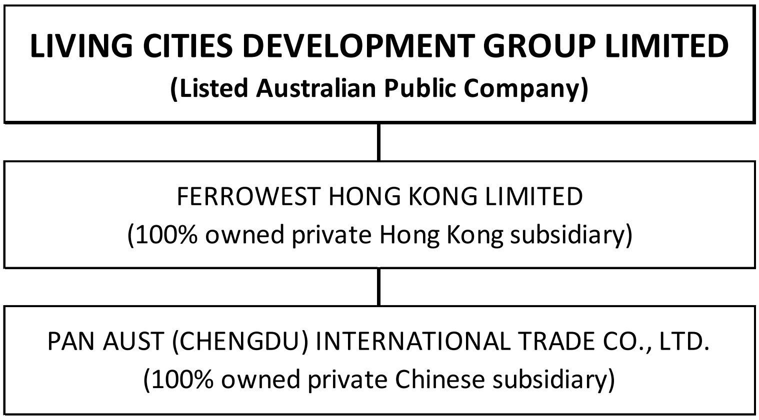


Diagram 1: Existing Company Structure

If the Project proceeds as planned, the Company would commence the search for a suitable second project for development in year two following implementation of the Proposal.

It should be noted that the Project is at an early stage and therefore the information currently available remains subject to the detailed design phase and any subsequent Government approvals that may be required. Shareholders should consider the Project risks in the context of this early stage, with some of the key risks set out in Section 8.

3.2.8 Taxation and Repatriation of Profits from China

In accordance with the business plan detailed in Section 3.2.5, SFP is planned to derive profits from the sale of the completed commercial space constructed in the Project. SFP will be required to pay the taxes listed below in China before the distribution of dividends to its shareholders Panaust and Mr. Jingda Song. Panaust will then repatriate its profits to Ferrowest Hong Kong Limited in the Hong Kong jurisdiction and then ultimately to Living Cities Development Group Limited in Australia. As the profits will be in Chinese Yuan and then converted to Australian dollars on return to Australia, there are exchange rate risks which may affect the quantum of these profits, either positively or negatively. Refer to Section 8 for further details on the exchange rate risks.

(a) Enterprise Income Tax (Company tax)

The PRC EIT law sets company tax at 25% that will be paid by SFP before distribution of a dividend to its shareholders.

(b) Common Accumulation Fund

Chinese corporate law requires that a company retain 10% of its profits in the company, called the Common Accumulation Fund to help to ensure the Company grows and provides for its employees. This fund can be used for expanding the business, for the benefit of employees through training, incentives, welfare assistance or other beneficial ways for the good of the company and its employees. There is also an equivalent for so called 'foreign capital companies' where the Common Accumulation Fund is replaced for foreign owned companies with a 'Reserve Fund' that is also 10% of profits and for use in the same way as for the Common Accumulation Fund. There is a fair degree of latitude on how these funds may be deployed by the Company provided that the Company retains the funds in the first place in accordance with the law.

(c) Withholding Tax

As a foreign capital company, Panaust (SFP) will have to pay withholding tax on profits repatriated out of China to Hong Kong (which is considered a separate taxation jurisdiction to mainland China). As there are taxation treaties between the PRC Government and Hong Kong, the normal withholding tax rate will likely be 5% instead of 10% normally charged.

It is the current understanding of the Company that because of the above taxes paid in China, no further taxation will be charged on profits repatriated from China to Australia by either the Hong Kong Government or the Australian Government. This will result in a total overall taxation rate of around 30% on profits returned to Australia, which is equivalent to the Australian corporate taxation rate. However, taxation matters are extremely complex and can change case by case. It is not possible at this time to determine the exact treatment of any profits repatriated to Australia by China, Hong Kong or Australia. Taxation law changes in Australia, Hong Kong or China could also affect the total taxation paid on repatriation of profits from China to Australia. A less favourable taxation result could negatively impact the profitability of the Company. Section 8, Risks, provides more detail in this regard.

The taxes listed above are not and are not intended to be an exhaustive list of PRC taxes and charges. Local and provincial fees and charges will also be payable in the normal course of business as occurs here in Australia with State and Local Government fees and charges.

The movement of money in and out of China is controlled by the PRC Government but there are specific standard processes in place under PRC law for the repatriation of profits, derived in China by foreign owned companies, to jurisdictions outside of China. These processes are examined in Section 7, the Chinese Solicitor's Report and the risks are detailed in Section 8, Risks. The Company does not anticipate any difficulties in repatriating its profits under the current PRC laws.

It also remains the choice of the Company as to the best disposition of its cash funds as the business develops. It may be wise to re-deploy funds and profits generated in China into further developments in that jurisdiction rather than conducting unnecessary international transfers if, for example, future dividends (paid from consolidated profits of the Group) could be funded from cash reserves in Australia.

3.2.9 NEW INVESTMENT OPPORTUNITIES

It is a key component of the business plan that the Company will seek new project opportunities in property and infrastructure development. As such, disclosure is required regarding the expertise of the current Directors and more specifically, how this level of expertise will assist the Company in making new investment decisions in the future.

The Directors have a broad range of commercial and public company experience. The Directors also have broad experience in project development, finance and corporate transactions for various listed and non-listed entities which will be relevant to the assessment of potential projects for the Company.

Existing business contacts of the Directors will provide assistance in identifying and securing new projects for investment and acquisition. The experience of the Directors is outlined at Section 4.2 and further information is available on the Company's website at www.lcg.properties.

There may be additional risks associated with any new investment opportunities, beyond those outlined in Section 8, but these cannot be identified in this Prospectus.

4. CORPORATE GOVERNANCE FOCUS

4.1 Our Mission and Goals

<u>Mission Statement</u>

To grow an innovative and diverse property and infrastructure development group through a focus on entrepreneurial drive, thorough research and ethical business practices in order to generate solid returns for shareholders and ensure sustained corporate growth over the long term.

<u>Corporate Goals</u>

1. *To identify and assess opportunities; and plan and implement world class developments by:*
   - encouraging entrepreneurial solutions to property and infrastructure development challenges;
   - fostering a corporate culture that seeks out opportunities for innovative property or infrastructure developments; and
   - locating, securing and maintaining professionals (individuals and companies) who can contribute effectively and efficiently to the desired Project outcomes.
2. *To maintain a lean and focused company structure by:*
   - establishing detailed 'project definitions' and concise scopes of work;
   - identify and focusing on key project outcomes in the planning and implementing of projects; and
   - ensuring detailed, efficient and effective studies into new project opportunities.
3. *To position and prepare the Company for each new endeavor by:*
   - making certain that the projects selected are consistent with long term planning objectives;
   - ensuring adopted projects can be properly resourced and funded;
   - fostering positive business relationships with companies and institutions that could assist the Company in its project development efforts.
4. *To deliver a balance of ongoing returns and long term shareholder benefits by:*
   - seeking out future business opportunities that complement the Company's business objectives and core competencies;
   - ensuring corporate stability through prudent decision making; and
   - generating dividend returns (where appropriate), while ensuring steady capital growth.
5. *To manage risk through planning, business diversity and ethical business practices by:*
   - systematically assessing project risk and preparing adequate contingency plans to address key project risk areas;
   - seeking to broaden and strengthen the extent of the Company's business activities over time;
   - ensuring respect for the laws of the business jurisdictions in which the Company operates; and
   - Implementing policies, procedures and controls to prevent corrupt or other inappropriate business practices.
6. *To conduct all business with integrity and a sense of the Company's place in the community by:*
   - adhering to high ethical and professional standards;
   - being honest and respectful to the Company's stakeholders: its shareholders, its employees, its customers, its suppliers, the Government and the community; and
   - seeking to always contribute positively to the world in which the Company operates.

4.2 OUR DIRECTORS & OFFICERS

4.2.1 THE BOARD OF DIRECTORS

The Board of Directors is responsible for the management of the Company. The Board has three members at the current time. The Chairman and the Managing Director are both executive directors. The third director is an independent non-executive director. The Board may seek to nominate additional persons for appointment to the Board over time as the Company's operations evolve and the additional key skills, qualifications and experience can be better determined.

Brett Manning – Chairman

Brett Manning is the Executive Chairman of the Company.

Commencing his career in the Royal Australian Air Force in advanced electronics, Brett has amassed more than 20 years' business experience since leaving the service. Initially he operated his own management consultancy for small business, implementing quality management and franchise systems among other diverse assignments. He has served as a Company Secretary to a number of private and public listed companies. Brett has been involved in senior management of listed public companies for more than fifteen years and a public company director for 10 years.

With very broad corporate experience, Brett has participated in multiple IPO's and other capital raising activities. He has been involved in joint venture and other cross-border business negotiations and contracts. He has participated in mineral and infrastructure project planning and developed financial modelling.

Brett has an Advanced Certificate in Management and is a trained quality management facilitator. He has completed post graduate course units in accounting, corporate governance and corporate law. During his service career he was awarded a Commendation from the Air Commander of Australia for exemplary performance in the management of complex logistical and engineering systems. In 1995 Brett published a fictional novel called "Enduring Deception".

Brett is a director of a number of small private companies and has been a director of the Company for 10 ½ years. He was the Company's Managing Director for 10 years, until his appointment by the Board to the position of Executive Chairman in December 2015.

Robert (Wei) Sun – Managing Director

Robert Sun is the Managing Director of the Company and is also a member of the Remuneration and Nomination Committee.

With over 20 years of business experience across a wide range of international trade ventures, Robert brings a wealth of experience in cross-border business operations and trade. He has occupied General Manager/CEO type positions in a number of companies over the last 8 years including 4 years as General Manager of the Company's largest shareholder, TFA International Pty. Ltd.

Robert joined the Board of the Company as a non-executive director in October 2012 and was appointed Managing Director by the Board at the beginning of December 2015. Robert is also an independent non-executive director of ASX listed PepinNini Minerals Limited (ASX Code: PNN). He previously served as a non-executive director of ASX listed IMX Resources Limited (ASX Code: IMX) from March 2012 until December 2014. Robert also is serving or has served on the Boards of a number of private companies with operations in diverse fields including manufacturing, minerals and agriculture.

He has a Master of Economics in Industrial Enterprise Management from Renmin University of China and a Master of E-commerce from Dalhousie University in Canada. He has also completed some post graduate units in accounting from Macquarie University in Australia.

Robert has recently resigned as General Manager of TFA to devote his efforts to his new role as Managing director of the Company. Robert's executive career has centred on trade, investment, sales and business analysis and management in China, Canada and Australia in a diverse range of industries. Robert is a Canadian citizen and is an Australian citizen (since 2013) as well.

John Lester Pettigrew – Independent Non-Executive Director

John Pettigrew is an independent non-executive director of the Company and is also the Director of Audit and Risk Review and Chair of the Remuneration Committee.

With over 35 years of property development experience, John has had a distinguished executive career in property development including 24 years with the Stockland Group (ASX code: SGP) as CFO and executive director. He has also been a director for 10 years at Astro Japan Property Group Ltd (ASX code: AJA) and 10 years as a director at recruitment agency Rubicor Group Ltd (ASX code: RUB) including 8 years as Chairman.

John joined the Board of the Company as a non-executive director in December 2015.

Starting his career at Lend Lease, he also worked for Gilbeys Australia Pty Ltd and MAN-GHH Australia before becoming an executive director and CFO at Stocks & Holdings Ltd, a listed property company.

Being a key player in the team that transformed Stocks & Holdings into the Stockland Group in 1980 and the growth into one of Australia's largest property groups with a market capitalisation which reached $9 billion at the time of his departure in 2004, gave John a vast range of development experience in the Australian property market. His work with Astro Japan since 2005 has continued this property development theme.

John has a Bachelor of Commerce and is a CPA. He is a Fellow of the following associations: the Australian Society of Certified Practicing Accounts; the Governance Institute of Australia; Chartered Institute of Secretaries; Australian Institute of Management; and the Australian Institute of Company Directors.

John is currently an executive director of ASX listed Company Astro Japan Property Group Ltd and has held one other ASX listed directorship, Rubicor Group Ltd in the last three years. He has also been and is currently a director of several private companies.

4.2.2 Company Officers

Daniel J Bredenkamp – Chief Financial Officer & Company Secretary

Daniel has been the Chief Financial Officer and Company Secretary of the Company since his appointment in late 2006.

He is a CPA with over 15 years of business experience in a wide range of industries, specialising in corporate turnarounds, reconstruction and insolvency. He is a Registered and Official Liquidator and an Executive Director in the Perth Pitcher Partners Business Recovery and Insolvency Services Division. Daniel has had experience in the field of litigation support and forensic accounting, including almost two years with the Serious Fraud Office in London as a Financial Investigator.

Daniel has a Bachelor of Commerce, an Associate Diploma in Corporate Governance and has completed advanced insolvency studies.

He is a Fellow of the Governance Institute of Australia and a Member of CPA Australia.

4.3 Corporate Governance

Our Corporate Goals include the stated intention to manage risk through ethical business practices and to conduct all business with integrity by adhering to high ethical and professional standards. One of the cornerstones for achieving these Corporate Goals is the implementation of the Corporate Governance Policy of Living Cities Development Group Limited.

The Corporate Governance Policy has been prepared by the Board of Directors of the Company with reference to 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are a guide for listed public companies rather than a set of prescriptive requirements. This recognises that each company is different and should properly adopt policy that is appropriate to the organisation.

The Board of Directors of the Company have adopted the best practice recommendations contained in the ASX Principles and Recommendations that are deemed appropriate for the Company and its scale and nature of operations.

An abridged summary of the Corporate Governance Policy of the Company is included here in Section 4.3. The full Corporate Governance Policy can be found at the Company's website www.lcg.properties.

The Board of Directors of the Company approved this policy on 18 December 2015.

4.3.1 Abridged Summary of the Corporate Governance Policy

The Role of the Board

The Board of Directors of the Company are responsible to the shareholders as a whole for the performance of the Company.

The Board of Living Cities Development Group Limited are committed to high standards of Corporate Governance in the performance of their duties.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes the Board's functions and delegated responsibilities.

The Board has determined that its primary function is in:

- Establishing, monitoring and reviewing the strategic direction of the Company;
- Delegating management authorities;
- Ensuring the health, safety and well-being of employees;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring protection of the environment as it pertains to Company operations;
- Evaluating corporate risk and monitoring internal controls;
- Setting the Company's values and standards;
- Setting Corporate Governance policies;
- Approving master budgets and allocating financial resources;
- Reviewing financial performance to budget and amending resourcing where required;
- Approving material transactions, significant management initiatives, investment strategies and major capital purchases or divestments;
- Appointment, remuneration and/or termination of the Chief Executive Officer and the Company Secretary; and
- Any other matter considered desirable and in the interest of the Company.

Day to day operation of the Company is delegated to the Managing Director, who is accountable to the Board. The Board also retains certain powers that it does not delegate to management. The delegation of authority and responsibility is clearly defined in writing.

The Board's Charter is available on the Company's website at www.lcg.properties

SELECTION AND APPOINTMENT OF DIRECTORS

The Company holds an election of directors each year at its Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. A director that has been appointed during the year must stand for election at the next AGM. Comprehensive reference checks are undertaken by the Company prior to appointing a new director or putting that person forward at an AGM as a candidate. The Company provides shareholders with relevant information for their consideration about the attributes of candidates in the Notice to the AGM, together with as statement as to whether the Board supports the appointment or re-election.

Non-executive directors are provided with a letter of appointment which governs the terms of their appointment and identifies key areas or responsibility and important information about the Company. Executive directors and senior executives are issued employment or service contracts which detail the above matters, as well as the normal range of employment rights and responsibilities.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

DIVERSITY

The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes with respect to the review and appointment of Directors.

All Directors' and employees of the Company are bound by the policies of the Company that support diversity.

While the Board will make every effort to support diversity by equitable policies and practices around the recruitment of Directors and the recruitment and/or promotion of employees, the Board does not believe it is feasible or appropriate to adopt Recommendation 1.5 (a), (b) and (c) of the ASX Principles and Recommendations at this time for the reasons set out below:

- The Company currently has a Board of three members. This makes the setting of quotas impractical at this time; and
- The Company currently only has 2.8 full time equivalent employees and this is unlikely to change significantly in the near future.

The Company is not compliant with Recommendation 1.5 (a), (b) and (c) of the ASX Principles and Recommendations.

At the date of this Prospectus, the Company has the full time equivalent of 22% female employees. No women are currently represented on the Board.

BOARD AND SENIOR EXECUTIVE PERFORMANCE

The Board of Directors conduct an annual formal written Peer Review for each member of the Board to evaluate the performance and contribution of each other member, both in respect of their participation on the Board and any relevant Board Committees.

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through annual and half yearly reports, ASX announcements and the AGM.

The performance of the Senior Executives is evaluated annually through a formal written Performance Appraisal process.

IDENTIFICATION OF POTENTIAL NEW DIRECTORS

The Remuneration and Nomination Committee performs the functions that would be normally undertaken by a nomination committee. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board believes it is appropriate to combine these two functions under a single committee. The Chairman of the Committee is an Independent non-executive director.

The members of the Remuneration Committee are:

Mr. John Pettigrew (Chair)

Mr. Robert Sun

The Committee has only two members, rather than the preferred minimum of three stated in the ASX Principles and Recommendations. With only two members, there is also not a majority of independent directors on the Remuneration Committee at this time.

Accordingly, the Company is not in compliance with Recommendation 2.1 of the ASX Principles and Recommendations. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendations of candidates for new directors are made by the directors for consideration by the Remuneration and Nomination Committee. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Committee assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, availability to commit to the Board's activities and the potential for the candidate's skills to augment the existing Board.

Given the size of the Board and the current operations of the Company, the Board does not maintain a formal skills matrix for the Board. Accordingly, the Company is not in compliance with Recommendation 2.2 of the ASX Principles and Recommendations. However, a skills matrix is prepared when searching for or assessing a proposed new director.

The Company has a formal induction process for new directors.

If requested by a Director, the Company will pay for independent professional advice for a Director in the discharge of their duties provided that the prior approval of the Chairman is obtained.

THE CURRENT BOARD OF DIRECTORS

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

TABLE 11 – Directors Particulars

Name	Appointed	Length of Service	Independence
Mr. Brett Lee Manning	10 April 2005	10 years, 8 months	Executive
Mr. Robert Sun	4 October 2012	3 years, 2 months	Executive (Shareholder Nominee)
Mr John Lester Pettigrew	17 December 2015	1 month	Independent Non-Executive Director

The Board has reviewed the position and associations of each of the directors in office at the date of this report in terms of Recommendation 2.3 of the ASX Principles and Recommendations and other facts, information and circumstances that the Board considers relevant and considers that Mr. Pettigrew is an independent director.

Mr. Manning, as an Executive Director (the Executive Chairman) is not considered an independent in respect of his daily management of the affairs of the Company. However, with the exception of certain specific circumstances such as Audit Committee deliberations on the management of the Company and its reporting, the Board does not consider Mr. Manning's contribution to the Board is in anyway compromised by his position as Executive Chairman.

Mr. Sun, as an Executive Director (the Managing Director) is not considered an independent in respect of his daily management of the affairs of the Company. He was originally nominated for possible appointment to the Board by the Company's major shareholder; TFA International Pty. Ltd. Mr. Sun absents himself from Board deliberations or decisions which relate to TFA or its associates. Given the appropriate management practices adopted by Mr. Sun and the Board in respect to TFA related matters, the Board does not consider Mr. Sun's contribution to the Board is in anyway compromised by the association. It is also noted that since taking on the role of Managing Director recently, Mr Sun resigned from his position as General Manager of TFA in order to focus on his new position as the Chief Executive Officer of the Company.

The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

The Board agrees with the intent of Recommendation 2.4 of the ASX Principles and Recommendations the majority of directors should be independent but believes that maintaining a small Board to minimise costs until the Company can establish initial growth is an imperative at this point in the Company's development. It would be expected that as the Board membership is augmented over time, preference will be given to securing a majority of independent directors.

The Board agrees with the intent of Recommendation 2.4 of the ASX Principles and Recommendations that the Chairman of the Company should be an independent non-executive director but believes that having an Executive Chairman is culturally important in the Chinese market where some of the Company's initial business will be undertaken. Therefore, the Company is not in compliance with Recommendation 2.4 of the ASX Principles and Recommendations.

ETHICAL DIRECTION AND MANAGEMENT

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

The Company has a Code of Conduct that binds Directors, officers and employees.

The Company also has a published set of Values to provide further guidance to Directors, officers and employees.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

The Code of Conduct and Company Values are posted on the Company's website at www.lcg.properties.

The Company has adopted a Share Trading Policy which summarises the law relating to insider trading and sets out the policy of the Company on directors, officers, employees and consultants dealing in shares of the Company. The Securities Trading Policy is also available on the Company's website.

The intent of this Trading Policy is to:

1. Educate all persons associated with the Company about their obligations when trading in the Securities of the Company;
2. To prevent a breach of the Insider Trading provisions of the Act by persons associated with the Company;
3. To ensure a proper market for the Company's Securities is maintained that supports shareholder and investor confidence;
4. To ensure that persons associated with the Company can continue to support the Company by acquiring Securities in the Company when it is legal to do so, on a fair and equitable basis that is substantively the same as other investors; and
5. To comply with the ASX Listing Rules.

Director of Audit and Risk Review

The Board supports the intent of Recommendation 4.1 of the ASX Principles and Recommendations to have an Audit Committee with an appropriate composition (number and independence) of directors but with only one independent non-executive director on the Board, the practical implementation of this recommendation is not currently possible. Therefore, the Company is not in compliance with Recommendation 4.1 of the ASX Principles and Recommendations.

As an alternative management strategy, the Board has appointed Mr John Pettigrew as Director of Audit and Risk Review. Mr Pettigrew is an Independent Non-Executive Director.

The Director of Audit and Risk Review will perform the role normally undertaken by both the Audit and Risk Committees with responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Director of Audit and Risk Review works to a Charter governing his activities, which has been approved by the Board of Directors.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the policy of HLB Mann Judd, the Company's current external auditor, to rotate engagement partners on listed companies at least every five years.

The Company's CEO and CFO provide the Board with a written declaration for all annual and half yearly accounts stating that the financial records of the entity have been properly maintained and that the financial policies comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity.

A representative of the Company's external audit firm attends the AGM and is available to answer shareholder questions.

Disclosure and Shareholder Communications

The Managing Director, with advice from the Company Secretary where appropriate, is responsible for bringing continuous disclosure matters to the attention of the Board of Directors. To ensure the timely disclosure of pertinent matters, the Managing Director has the delegated authority to disclose routine matters of fact to the ASX without reference to the Board. The Managing Director is also delegated to take all reasonable actions to comply with urgent disclosure matters in the event that the Board is unable to meet or communicate in a timely manner, including calling a trading halt if required. These matters of continuous disclosure policy are documented in standing resolutions of the Board.

The Company maintains information in relation to corporate governance policy, directors and senior executives, Company Policies, Annual Reports, ASX announcements and contact details on the Company's website.

Shareholders can also sign up to an email alert system on the Company's website at www.lcg.properties

Risk Management

The functions that would normally be performed by a risk committee are currently performed by the Director of Audit and Risk Review as detailed above. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it is practical to delegate these responsibilities to a committee. Accordingly the Company is not in compliance with Recommendation 7.1. of the ASX Principles and Recommendations.

Risk is systematically managed through a series of applicable Company systems and policies that address the main areas of risk facing the Company, including financial and accounting controls, insurance of assets, occupational health and safety, environmental management, land access and tenure etc. The Company will also implement a systematic risk assessment program in parallel with the studies into its projects.

The Director of Audit and Risk Review and the Managing Director both report material risk matters to the Board at meetings of the Board and otherwise as required. The Board reviews risks to the Company at regular Board meetings. The Board has delegated some specific risk management tasks to the Managing Director in writing and he has in turn delegated some of these areas in writing to the Chief Financial Officer including the maintenance of corporate accounts, treasury and insurances.

There are more general risks to the Company's business and these are outlined in Section 8 of this Prospectus.

Remuneration of Directors and Key Executives

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Board has established a Remuneration and Nomination Committee. The Chairman of the Committee is an Independent non-executive director.

The members of the Remuneration Committee are:

Mr. John Pettigrew (Chair)

Mr.. Robert Sun

The Committee has only two members, rather than the preferred minimum of three stated in Recommendation 8.1 of the ASX Principles and Recommendations. With only two members, there is also not a majority of independent directors on the Remuneration Committee at this time.

The Remuneration and Nomination Committee reviews the remuneration of the Board itself, the Managing Director, the Executive Chairman and the Chief Financial Officer.

The Managing Director is responsible for the general remuneration policies and practices that apply to the balance of employees within the Company.

Details of the qualifications and experience of the members of the Committee are detailed in the Directors' Profiles on the Company website at www.lcg.properties. The Remuneration Committee has a Charter to govern its activities that has been approved by the Board of Directors.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

The shareholders of the Company approved total fees payable to non-executive Directors of $325,000 per annum at a General Meeting of the Company held on 11 October 2012.

The Board has resolved that the current Directors' fees are:

- Non-executive Directors - $43,800pa

This amount includes an allowance for statutory superannuation.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties.

Board members are not provided any additional remuneration in respect of any standing Board Committee memberships.

There are no termination or retirement benefits for non-executive Directors.

Skills, Experience and Expertise of each Director

A profile of each Director is contained in Section 4.2 of this Prospectus and in the Directors' Profiles on the Company's website at www.lcg.properties.

your trusted value adviser



Living Cities Development Group Limited
GuoFeng Farmer's Market Complex

Independent Technical Specialist's Report

20 December 2015

中联资产评估集团(澳大利亚)
CHINA UNITED ASSETS APPRAISAL GROUP (AUSTRALIA)

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20 December 2015

The Independent Directors
Living Cities Development Group Limited
3 Camden St,
Belmont WA 6104

Dear Sirs

RE: GuoFeng Farmer's Market Complex Independent Technical Specialist Report

1. Introduction

China United Assets Appraisal Group (Australia) Co Pty Ltd ["CUAAGA"] is pleased to provide its Independent Technical Specialist's Report in relation to the GuoFeng Farmer's Market Complex ["the Project"] in Zigong, China per our engagement letter dated 16 July 2015.

2. Background

Living Cities Development Group Limited ["the Company" or "LCG"] is a listed Australian public company (ASX: LCG), it was quoted as Ferrowest Limited (ASX: FWL) on the ASX since 2006 and changed its name on 30 November 2015. The Company's shares are currently in voluntary suspension pending a proposal from the Company's major shareholder, TFA International Pty Ltd, to restructure the Company's primary operations from mineral exploration to property and infrastructure development ["the Proposal"].

The Proposal was put to shareholders in November and was approved. The proposal will see the Company acquire the rights to its first property development project in Zigong, China. The Company will prepare a prospectus (a standard full disclosure document) for a public offer including a priority offer to existing shareholders.

LCG's independent directors have sought an Independent Technical Specialist Report ["ITSR"] to review aspects of the proposed development project in Zigong. An earlier version of this report was provided to shareholders in the Proposal documentation.

3. Purpose of the Assignment

The Independent Directors of LCG have appointed CUAAGA to prepare an ITSR to inform investors on the Project and specifically its prospects and risks. The ITSR has been undertaken by suitably knowledgeable technical experts (see Appendix 2 for qualifications) to ensure that the directors have, through the publishing of the ITSR, made reasonable inquiries about the Project and reasonable statements in this regard and also that the Directors will have reasonable belief that they have not omitted material information about the Project.

4. Scope

LCG is registered in Australia and, as such, needs to comply with Australian regulatory requirements. There is no specific Corporations Act requirement for the ITSR. Consequently, the Australian Securities and Investments Commission ["ASIC"] guidance contained in Regulatory Guide 111 – Content of Expert Reports ["RG111"], ASIC Regulatory Guide 112 -

Independence of Experts ["RG 112'] and ASIC Regulatory Guide 74 – Acquisitions Approved by Members ["RG 74"] as well as Clause 8303 of Schedule 8 of the Corporations Regulations have been considered and adopted where appropriate.

The scope of this ITSR specifically focuses on informing LCG's potential investors on the Project, its prospects and risks.

5. Executive Summary

The following points summarise the key conclusions set out in our report. This summary highlights some of the key points of the report. We encourage shareholders to read the entire report for a complete understanding of its prospects and risks.

Chinese property industry exhibits the following trends:

- Commercial real estate continues to grow rapidly, and regional bubble-risk is increasing.
- Local government planning has resulted in some areas being oversupplied with commercial real estate and some areas being undersupplied.
- The demand for commercial retail space is being negatively impacted by slowing growth in retail sales and growth in e-commerce.
- In general, rental rates are reducing and vacancy rates are growing, particularly in second and third tier cities.
- There is a shortage of retail expertise contributing to the lack of success of some retail ventures.

However, GuoFeng Farmer's Market in Zigong is unique compared to most of the commercial properties, which is largely due to:

- The population and economy in Zigong which is expected to grow rapidly;
- Current farmers markets in the area are inadequate to meet either current or forecast demand, and
- E-commerce is not yet a threat to bricks and mortar retail that sells fresh produce in China.

6. Other Matters

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the investors of LCG. The decision to invest or not is a matter for individual investors and shareholders. Potential investors should consider the advice in the context of their own circumstances and preferences. Investors who are in doubt as to the action they should take in relation to the investment opportunity should consult their own professional adviser. In developing this report we have relied upon representations provided by management. Although we have considered the reasonableness of the information provided, we have not conducted an audit or due diligence.

Our advice represents information provided to us as at the date of the report. Circumstances or information could change that could alter the conclusions in the report. The proposed investment is an early stage investment and as such could result in a wide range of outcomes. Typically early stage investments have high potential returns but these are associated with significant risks and uncertainty.

CUAAGA is a corporate authorised representative of Capital Value Securities which holds Australian Financial Services License number 311705.

CUAAGA has prepared a Financial Services Guide in accordance with the Corporations Act, 2001. This is included in Appendix 1 to this report.

Our opinion is made as at the date of this report and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full report.

Yours faithfully

Michael Churchill
Director

Mofei Xiong
Director

7. Glossary of terms

ASX	Australian Securities Exchange
ATO	Australian Tax Office
AUD	Australian Dollar
CUAAGA	China United Assets Appraisal Group (Australia) Co
DCF	Discounted Cash Flow
LCG	Living Cities Development Group Ltd
m^2	Square metres
Minority interest	A significant but non-controlling ownership of less than 50% of a company's voting shares by either an investor or another company
New City Development Zone	A new area of the city that is being promoted by the Government
NDRC	National Development and Reform Commission
Project or The Project	GuoFeng Farmer's Market Complex located within phase 1 of the New City Development Zone
RG 111	Regulatory Guide 111 – Content of Expert Reports
RG 112	Regulatory Guide 112 - Independence of Experts
CNY	Chinese Yuan (direct quotation as at 3-Aug-15: AUD 1 = CNY 4.5313)
Small-cap	Small market capitalisation
SFP	Sichuan FuChang Property Co. Ltd
UDPA	Urban District Planning Area
USD	United States Dollar

8. Exchange rate assumption

1. The project is located in China and CNY is the operating currency. All exchange rates between CNY and AUD used in this report were based on the exchange rate of AUD 1 = CNY 4.5313 as at 3 August. We are not an expert in exchange rate forecasting. The exchange rate as at 3 August 2015 has been used throughout this report (unchanged from our earlier report) as the movement to 17 December 2015 is not material (circa 3% increase in AUD purchasing power)

9. Investment overview

2. Sichuan FuChuang Property Co., Ltd ["SFP"] is a Chinese property development company which wholly owns the GuoFeng Farmer's Market project in Zigong near Sichuan Province, Central China.

3. SFP obtained a People's Republic of China Property Development Enterprises Qualification (provisional level) Certificate of the People's Republic of China, issued by the Ministry of Housing and Construction Department on 26 May 2015 (valid until on 26 May 2018), authorising SFP to operate as a real estate developer in China.

4. Key investment target information is detailed in the following table.

TABLE 1 KEY INVESTMENT TARGET INFORMATION

Investment overview	
Company name	Sichuan FuChuang Property Co., LTD
Company type	Limited liability company (natural investment or holding)
Company address	No. 10, level 7, Yingxiang Business center, Dangui Committees 37, HuiDong district, Zigong
Legal representative	Jingda Song
Registered capital	$1,942,048
Business licence number	510300000047124
Business scope	Property development (with qualification certificates), financing consultation, project technical consultation.

5. SFP was established in March 2011 with registered capital of AU$1,942,048 (8,800,000 CNY). As of the date of this report the paid-in capital was AU$1,942,048. Details of SFP major shareholders are outline in table 2.

TABLE 2 SHAREHOLDER STRUCTURE

Shareholders	Equity contribution (AUD)	Proportion
Jingda Song	1,009,865	52%
Huiming Feng	932,183	48%
Total	**1,942,048**	**100%**

10. Project overview

10.1 Zigong and Urban District Planning Area introduction

6. The Urban District Planning Area ["UDPA"] is located in Zigong, China. The project is a pre-construction stage, mixed-use commercial and residential property development site which aims to capitalise on a unique location, proximate to Sichuan province and existing established populations, industry infrastructure and tourism. The Zigong GuoFeng Farmer's Market is located within the first phase of the UDPA development precinct.

10.1.1 Zigong location

7. Zigong is located to the south east of the Sichuan Basin in Central China (east longitude 104 ° 2 '- 105 ° 11', north latitude 28 ° 55 '- 29 ° 38') with an area of 4,373 km² and a population of 3.2 million.

ZIGONG MAP

8. Geographically, Zigong is characterised by low hills to the south of the region (average elevation: 250m – 500m) with higher mountains to the North (up to 900m). The region is bisected by several major rivers that form the Tuojiang and Minjiang river systems. Zigong is a historic and cultural city, whose unique geographic characteristics serve to enhance its many tourist attractions.

9. Zigong's neighbours are Neijiang and Luzhou City in the east, Yibin in the South and Leshan in the west. Zigong is strategically located near major rail infrastructure including Neijiang-Kunming railway, Chengdu-Chongqing railway, as well as major road infrastructure including the Chengdu-Chongqing Neiyi, Neile and Zilu expressways.

10. Zigong is one of the key second tier cities in the Sichuan province and is a major regional centre for southern Sichuan. Careful urban planning initiatives have seen the city develop as both a major industrial and tourism centre for the region.

10.1.2 Zigong Urban District Planning Area

11. In order to further encourage new urban development in Zigong, the Government has zoned a new area proximate to an existing industrial park (Bancang Industry Zone) in the North of Zigong. This pre-construction phase development is intended to accommodate the growing high-tech industry and a range of residential accommodation and amenity for the associated labour force.

12. The newly-zoned area is strategically located near major existing transport infrastructure including the Neiyi expressway. While the new development presents several synergistic opportunities in providing additional capacity to the nearby Bancang Industry zone, it also presents further opportunities to develop cultural education sites, sustainable residential development as well as improving upon existing public amenities to integrate the existing three major metropolitan areas of Zigong.

10.1.3 Location

13. Zigong Yantan New District is approximately 4.88 km^2. The first phase of development is 2.63 km^2 (excluding a marine area). The planning area is centrally located in Zigong between the Bancang Industrial Zone and the existing Laomanqiao Urban Country Wild Park as well as the proposed Chinese Salt Spring Holiday Leisure Base. Three main arterial roads including the Neiyi Expressway, City South Circular Road (provincial road S305 line), and Sichuan-Yunan Expressway surround the Urban Planning Area.

10.2 Urban District Planning Area Phase 1

14. Yantan New District was constructed in 1953 and is located in Zigong City South Gate, bordering the Daan region to the north covering an area of 462km^2.

15. The region has an average elevation of between 300m-400m. There are 16 towns and 151 villages with a total population of approximately 376,000 as well as a Provincial Demonstration Zone of Economic Development. While agriculture is the primary industry for the region, as much as 10% (42,000) of the existing population service non-agricultural industries.

16. The planned UDPA benefits from a stable and established ecological environment and encompasses a region of more than 20 hectares around South Lake.

17. Existing road infrastructure connects the major towns and villages in a grid formation surrounded by a major ring road to integrate the urban and rural road networks.

18. UDPA connects to the Wolong Lake Ecological Tourist Area in the south and benefits from close proximity to both the Bancang Industrial zone and major roads in the area.

19. The UDPA development also benefits from close proximity to existing and developed infrastructure. The following table outlines the current status of essential infrastructure in the New City Zone area.

TABLE 3 CURRENT STATUS OF INFRASTRUCTURE CONSTRUCTION

Service	Description
Water	Waterworks with capacity of 5,000 t/day against daily forecast demand of 1,000 t
Electricity	Three 10KV transmission lines from Daijia dam substation proximate to the New City Zone
Telecommunications	Existing telecommunication connectivity services to the whole park and new city zone with cable, mobile and network communication facilities.
Gas	One gas supply station with a daily capacity of 20,000 m3
Waste management	Two major sewage treatment parks
Transport	Extensive existing road network connecting each village supported by comprehensive public transport providing 33 routes

11. GuoFeng Farmers Market Complex

11.1 Project background

20. The GuoFeng Famers Market Complex is a planned 6 story (including basement) mixed-use retail and residential property development project in the UDPA phase 1 development in Zigong.

11.1.1 Land rights

21. The target land for the project has been obtained according to the State-Owned Land Use Right Transfer Contract (contract number: 51020020130041) and land use license (2013) No. 111175.

22. According to land use license records, the land is located in C-11-1 block of the new district Yantan of Zigong and covers an area of 9,057m^2. The land has been zoned for commercial application and the land rights have a life of 40 years (expiring 3 June 2053).

11.1.2 Other rights on land

23. Financing for the land acquisition has been provided by Harbin Bank Co., Ltd (Chengdu)["Harbin"] from 9 December 2014 to 8 December 2015 for a principal amount of AU$2,648,247. The right has been renewed on the same term until 8 December 2016.

11.1.3 Land acquisition price

24. SFP has been granted a lease over the land for 40 years commencing 2011 for a total consideration of AU$5,546,570 ($612/m^2).

11.2 Project planning

25. According to information provided by SFP from the Zigong Urban and Rural Planning, Construction and Housing Security Bureau, the following planning requirements (shown below) are imposed on the development. These planning requirements are detailed in Land Planning Condition C - 11-1 letter (self-planning construction letter [2012] No. 413).

TABLE 4 PROJECT DEVELOPMENT REQUIREMENTS

Criteria	Unit/description
Planning land area	9,133 m^2
Land use	Commercial use (no less than 4,000m2 of the Farmer's Market should be constructed on this block
Volume rate	1.4 or less
Building density	40%

All planning index calculation should be in accordance with Zigong planning management technical regulations.

12. Market analysis

12.1 Status of china's macro-economy and commercial real estate

12.1.1 Overall situation of China's commercial real estate in 2015

26. In the second quarter of 2015, China's commercial real estate index (CCI) increased by 3.6% to 141.2, up by 2.6% over the last quarter and 8.6% over the last year, with the overall trend steadily rising.

FIGURE 1 CHINA'S COMMERCIAL REAL ESTATE INDEX

Source: RET Rui Yi De China Commercial Property Research Centre

12.1.2 China's macro-economy

FIGURE 2 CHINA'S MACRO-ECONOMY INDEX

Source: RET Rui Yi De China Commercial Property Research Centre

27. China Monthly Macro-economy Statistics provides the latest government statistics on Chinese economic development, including industrial production, transport, price indices, domestic trade, investment in fixed assets, household income and expenditure. This data is exclusively authorized by the National Bureau of Statistics of China, and provides the monthly statistics on Chinese macro-economic development. It is believed to be the most comprehensive, authoritative and timely database of Chinese macro-economic statistics.

28. In the second quarter of 2015, China's macro-economy index decreased by 2.0% to 131.0, down by 1.5% over last quarter but up by 10.3% over last year. The fall in the index in the second quarter was largely driven by a seasonal decline in disposable income per capita. The year-on-year growth rate averaged 9%.

29. In the first half of the 2015 calendar year the nation's gross domestic product ["GDP"] grew by 7%, fuelled by the rapid growth of the tertiary sector and strong government reform measures. After repeated cuts in interest rates and the reserve requirement ratio ["RRR"], the central bank is releasing more mid/long-term liquidity with lower cost. Currently, China is trying to raise the consumption level and to ensure steady economic growth with measures including cuts in corporate tax and interest rate. The effects of economic reform measures are expected to appear in the third quarter of the 2015 calendar year. Government measures to boost domestic demand and develop the service sector have had some success, with the tertiary industry now accounting for 49.5% of GDP, 5.8 percentage points higher than the secondary industry. Meanwhile, consumption has become the main driver of economic growth, and liberal economic policies are expected to continue, stimulating domestic demand and trade growth.

30. China has recently experienced challenging conditions with moderating growth, increasing debt and a declining stock market. Given increased risks, surplus capital may flow from shares and residential real estate into other areas, including low risk profitable commercial real estate opportunities in the more stable first-tier cities.

12.1.3 Commercial land market

31. In the second quarter of 2015, China's commercial land index (CLI) increased by 7.0% to 106.8, up by 7.0% over last quarter and 9.9% over last year. The growth of the index in the second quarter was largely fuelled by an increased transaction ratio of commercial land, which reached 39.8% in this quarter, the highest since 2013.

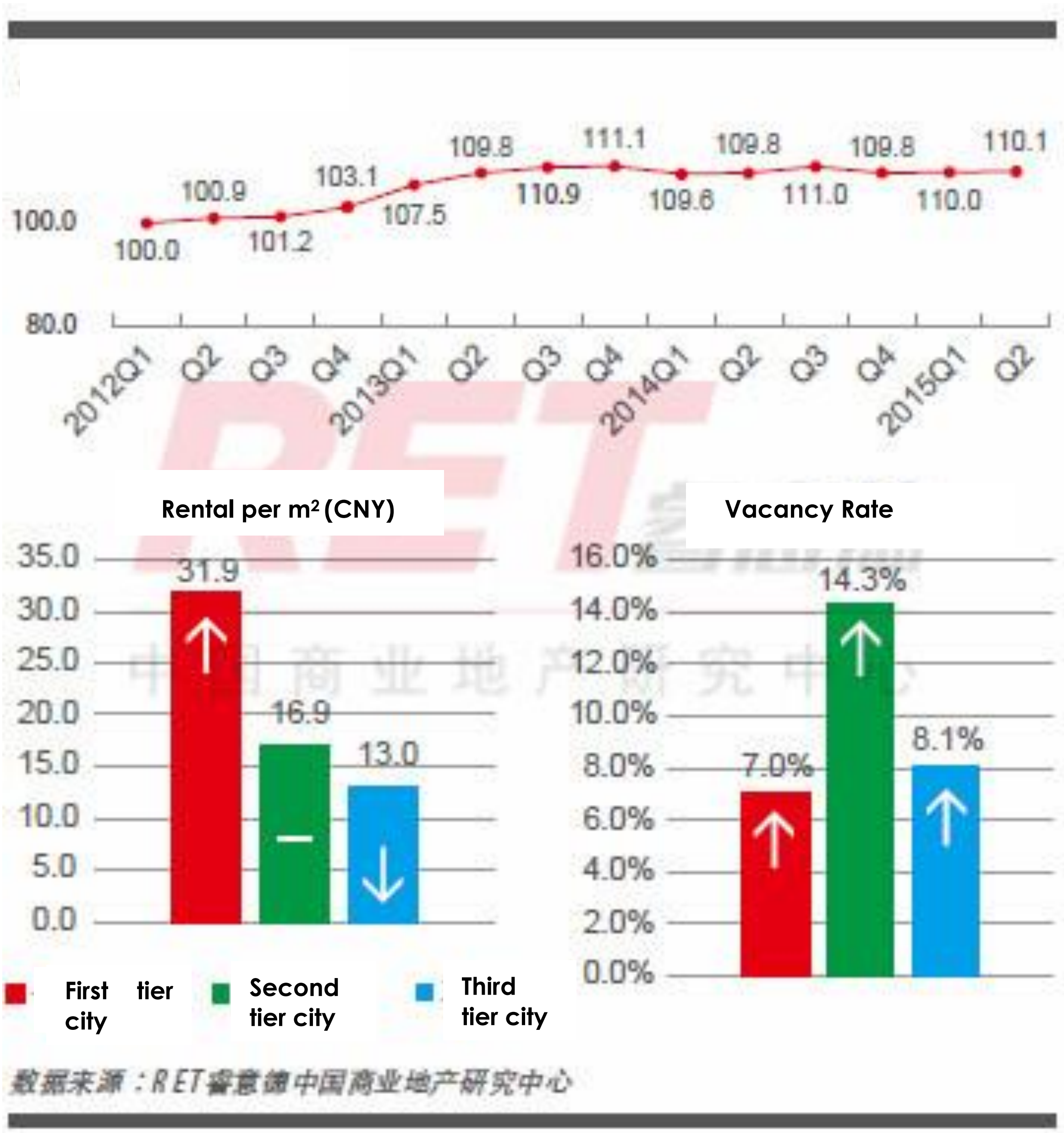
32. The overall transaction volume in the land market was down by nearly 60% compared with the average of the previous two quarters. The primary contributor for this fall was residential housing transactions with the transaction volume of residential land down by nearly 70% compared with the average of the previous two quarters. In contrast, the transaction volume of commercial land remained buoyant, with an average nearly 40% higher than the average of any quarter since 2013. The significantly improved transaction volume in second and third-tier cities was the main reason for the sustained high transaction volume of commercial land. According to the second quarter report of the China Commercial Property Report, the proportion of transactions from second and third tier cities increased from 90% to 95% over the last three quarters and the unsold rate had reduced.

33. In the previous two quarters, the introduction of many quality parcels of commercial land caused the commercial transaction floor price rise to the highest level since 2013; however the distribution of transactions of residential land, which shifted towards the central urban areas, promoted a greater increase in the floor price of residential transactions.

34. The premium ratio of transactions of commercial land compared to residential land fell. Accelerated by the land parcels in the central urban areas, the premium rate for transaction of residential land rose significantly, while that of commercial land was stable, mostly sold at approximately reserve price.

12.1.4 Commercial market segmentation

FIGURE 3 CHINA'S COMMERCIAL PROPERTY INDEX



Source: RET Rui Yi De China Commercial Property Research Centre

35. In the second quarter of 2015, China's Commercial Property Index (CRI) slightly increased by 0.1% to 110.1, up by 0.1% over last quarter and 0.3% over last year.

36. The rent in the second quarter in first-tier cities rose significantly, which was boosted by the substantial completion of upgrading of most shopping malls during this round. However, the difference between expected rental income from shopping centres management and expected rental expenses from commercial tenant triggers more issues. In many shopping centres, high vacancy rates are directly due to high rental expectations that potential tenants are unable to meet. In the second half of the year, the commercial market is expected to experience another wave of investment. However, due to decentralized projected buildings

and differentiated competitive strategies, the expected rents will remain at a stable level.

37. Zigong is a second tier city in China. Average rent growth has moderated in the first half of 2015 in second tier cities. Shopping malls in second tier cities have responded to increasing competition for new renters via a variety of strategies, including integrating Internet, introducing new brands and reducing rents. In the second half, second-tier cities will continue to have an overhang in supply and it is expected that overall vacancy rates will rise. Rent levels of quality shopping malls have stabilized and are expected to remain stable, while the rental rates of those with lower occupancy rates and remoter location will fall further.

38. In third-tier cities, existing shopping malls were impacted by e-commerce (i.e. online shopping) and new shopping malls, resulting in closure of many traditional department stores due to their weakened competitiveness. In this context, rents reduced significantly in this quarter, and the vacancy rate also rose significantly.

12.2 Current situation and trend analysis of China's commercial real estate

12.2.1 Key trends in China's commercial real estate sector

39. Key trends in China's current commercial real estate include:
    a. Commercial real estate continuing to grow rapidly, and regional bubble-risk is increasing;
    b. Growth in retail sales is slowing down;
    c. Mergers and acquisitions of commercial projects occur frequently; and
    d. With the great increment of e-commerce and the varying sizes of physical stores, there are a diverse range of retail modes.

12.2.2 Three problems facing China's current commercial real estate

12.2.2.1 Overall lack of regional planning and imbalance in commercial distribution

40. Many local governments have not provided a comprehensive arrangement on urban planning and commercial network planning, rigidly setting the ratio of commercial land and residential land, and lacking an overall consideration on the economic development patterns and population distribution of the entire city. Some developers pursuing short-term profit have adopted a sales-oriented development model, usually leading to inadequate market research in the early stages, poor planning in the later stages, and lack of management attention. This has directly caused over-crowded commercial projects in the market in 'hot' urban areas, but inadequate commercial facilities in other areas, showing an unbalanced commercial layout of the entire city.

12.2.2.2 Inexperienced developers

41. Rent and vacancy rates are the two most important indicators reflecting the value of the shopping mall. The current situation showed falling rent and rising vacancy rate. For instance, the vacancy rate of commercial shopping mall in Shenyang is as high as 24.3%, ranking first in the country. Vacancy rates of retail space in quality business districts in Beijing and Guangzhou are 11.5% and 10.0%, respectively. Among second-tier cities, the vacancy rates in Chengdu and Shenyang reach 10.6% and 20.2%. One crucial reason for this situation is that the developers are inexperienced in developing and operating commercial real estate.

12.2.2.3 Financing bottleneck has restricted the paradigm shift in enterprise development and management

42. With large investment, long cycles, and slow returns, the development and operation of commercial real estate is significantly different from residential housing, but well-operated projects can achieve high returns and prolonged profits. Today, in addition to traditional bank loans, there are a variety of financial products, such as overseas issuance of notes, trust funds, and private placements, but they are typically high cost and thus not matched to the demands of commercial real estate.

12.3 Real estate policies in Zigong City

43. On the 19th November 2014, Zigong Municipal People's Government issued the "Opinions on Promoting the Stable and Healthy Development of the Real Estate Sector" (No.18 issued by Zigong Municipal People's Government [2014]). Highlights of the new policy include: 1. Relaxed restrictions on down payment and interest rate floor which may stimulate consumer interest; 2. The house-purchasing grant supported by government will boost market confidence; 3. The lowered costs of developers will reduce the difficulties in developing and provide more channels for housing resources to enter the market; 4. The gross adjustment of the real estate market from the perspective of planning control over land will support the stable and healthy development of the real estate market in Zigong from the beginning.

12.4 Market characteristics of the underlying project

44. The project is located at the intersection of Times Avenue and Guyandao Street, Yantan New District, Zigong City, with JunHaoYuYuan in the east, GuanLan and LongHuShangCheng in the west, the commercial centre of ChuangXingCheng in the south, and Wangs' Grand Courtyard, the tourist attraction built by government, in the north. The project takes up an area of 9,133 m^2 in a parcel long and narrow in the north-south direction. The planned total construction area is approximately 18,000 square meters, with a total of five stories, as the complex building of farmers market.

45. The proposed development services residents in the core area of the Nanhu New District and the whole Yantan New District. The Nanhu New District occupies an area of 8.2 square kilometres, with an expected future population of about 75,000, and the Yantan New District takes up an area of 5 square kilometres, with an expected future population of about 57,000.

46. The project is located at Yantan New District, which is next to Nanhu New District. Nanhu is the central of the new city planning zone, strategically designed to provide additional features to the key areas of the city. Yantan New District is designed to be the residential supporting area for Bancang Industry zone.

47. Nanhu and Yantan will be built by the Zigong government and will become the new centre of Zigong in the future. They are intended to be the future centre of commerce in southern Sichuan. It is expected that these areas will have the highest land and housing prices in Zigong. There are high-end residential areas and commercial complex buildings within the two new districts, such as Nanhu YinXiang, Singapore Garden, Milan Spring, Oriental Venice, Nanhu International Community, Nanhu Mansion, Nanhu Jun, ShuiAnHaoTing, Jinyu International, Taifeng International City, Taifeng ITC, Huashang International City, ZiJingChengBang, Hengda Oasis, Longhu times, Longhu Jun, Longhu Forest, ChuangXingCheng, GuanLan, and JunHaoYuYuan. The urban area is supported by facilities such as the Nanhu Ecological Park, Nanhu Sports Center, Zigong Golden Apple Kindergarten, Zigong Huidong Experiment School Nanhu Branch

Campus, Zigong University for the Elderly, Longhu Landscape Theme Park, Daishan Hospital, Salt Merchants Culture Theme Park, and Zigong Vocational and Technical College. Currently, both urban districts have begun to take shape with basically complete infrastructure. Road access to the developing area has been completed, people have started to move into the residential building.

48. The proposed development of Zigong means there is likely to be significant demand for a new farmers market development. Poor sanitation and outdated hardware facilities are common in Zigong's current farmers markets, with almost no soft infrastructure or with bad market management. The project is positioned as a standard modern farmers market, which is designed for the residents in Yantan New District and serves the surround regions, mainly selling fresh non-staple foods such as fruits and vegetables and simultaneously acting as a storage facility.

49. Despite the negative market condition of Chinese general property market, the improvement of vendor and customers in the Zigong is expected to attract potential buyers of the project. The modern and well-managed new farmer's market is ideally located to services the high-end residential areas. The unique position of GuoFeng Farmer's Market might be able to eliminate some of the development risk.

13. Project approval and financial overview

13.1 Project development approval

50. Planning documentation for the GuoFeng Farmer's Market Complex by SFP has been submitted to the Zigong Yantan Region National Development and Reform Commission (NDRC) on 3 June 2015. The following table outlines key project information.

TABLE 5 GUOFENG FARMER'S MARKET COMPLEX KEY DETAILS

Item	Unit/description
Project name	Guodun Farmer's Market Complex
Location	C 11-1 Block, New City Zone, Yantan, Zigong
Land use	Total development area 18,279.8 m² including commercial housing 12,679.8 m² and basement 5,600 m²
Land area	9,057 m²
Forecast investment	AU$10,592,986
Capital source(s)	Sichuan Fuchuang Property Co., Ltd.

13.2 Project specifications

51. The following table outlines the key technical specifications detailed in the development plan for the residential, retail, car parking and associated services for the GuoFeng Farmer's Market Complex.

TABLE 6 PROJECT TECHNICAL SPECIFICATIONS

Number	Planning name and area	Unit	Description
1	Net land area (m²)	title 9057	9,133 m²
2	Plot ratio	≤1.4	
3	Construction density (%)	≤40%	Foundation area 3,615.92 m²
4	Construction height limit	≤ meter	
5	Greening rate	≥20%	
6	Total construction area (m²)	17,834.61	
1	Ground building area (m²)	12,292.75	
1 - 1	Commercial area (1st floor) (m²)	3,620.72	
1 - 2	Farmers market (2nd floor) (m²)	4,145.60	
1 - 3	Commercial area (3rd floor) (m²)	2,832.38	
1 - 4	Commercial area (4th floor) (m²)	1,476.05	
1 - 5	Commercial area (5th floor) (m²)	218.00	Office/commercial use
2	Underground construction mm(marea	5,541.86	
2 - 1	Equipment placement area (m²)	1,388.87	
2 - 2	Garage area (m²)	3,388.71	
2 - 3	Supermarket area (m²)	764.28	
7	Capacity building area (m²)	382.14	
8	Number of retail units	129	Approx. 129 residences assuming 100m²/residence
9	Parking	63.00	All underground parking

14. Project financial overview

52. The GuoFeng Farmer's Market is at an early, conceptual stage and the financial estimates prepared by SFP are sufficient to illustrate prospective financial performance of the project.

53. We have reviewed the financial estimates provided by SFP and those estimates do not appear unreasonable for indicative, early-stage planning purposes.

54. In the absence of detailed design and cost estimates to validate the illustrative financial estimates prepared by SFP, we do not believe it would be appropriate to report the prospective financial performance of the Project.

55. The planning estimates and other calculations presented in this section should be regarded as indicative only and are based on industry standard costs for construction in Sichuan Province as at the date of this report.

56. Actual costs and other estimates could vary significantly depending on the timing of construction and as a result of detailed design and construction cost estimation.

14.1 Project development investment and cost estimates

57. The following table outlines the key development expenses expected to be incurred during construction of the GuoFeng Farmer's Market Complex. Total development expenses for the project are estimated to be AU$20,076,957.

TABLE 7 PROJECT DEVELOPMENT INVESTMENT AND COST ESTIMATES

	Project forecast development costs ($AU) Item		Description/unit	Collect fees (price/m²)	Area m²	Amount AUD
1	**Land cost**		55,442 m²	127	2,603	**7,061,991**
2	**Preliminary site appraisal expense**					
		Construction project application fee	Total construction fee of $35/m². Cost of geological prospecting, seismic safety, water safety, environment assessment, energy conservation, anti-thunder assessment etc., of appoximately $0.66/m²	3,936	163	641,547
		Three supplies and one field engineering	Above ground construction area	2,713	35	94,950
		investigation and survey expense	Total construction area	3,936	10	39,359
		Geological survey and design expense	Total construction area	3,936	25	98,397
		Temporary facility expense (including fence, office etc.)	Total construction area	3,936	3	11,808
	Total preliminary site appraisal expense					**886,061**
3	**Residential development**					
		Construction safety expense	Above ground commercial	2,713	1900	5,198,558
			Underground part (including commercial)	1,223	1900	2,323,734
		Outdoor engineering expense	Safety and protection system etc.	3,936	100	393,587
		Vegetation construction expense	Land area (20%)	1,999	100	39,975
		fire control facilities	Total construction area	3,936	20	78,717
		Supervision expense	Total construction area	3,936	8	31,487
	Total residential development expense					**8,066,058**
	Other expenses					
4		Management expense	pre-commencing management expense	Cost item 2 + Cost item 3*3%		267,239
5		Finance expense	Including two years holding period (2 years) and 50% of the constructuion deposite (1 year)	Cost item 1 *15%*2+Construction safety expnese *50%*15%*1		2,679,459
6		Sales expense	Marketing/advertisement/ sales department/show room/sales commission,	2% of sales income		738,355
7		Contingency expense	Project development contingency expense	Cost item(2, 3, 4, 5, 6)*3%		377,791
	Total other expenses					**4,062,844**
	Total forecast project expenses					**20,076,954**

14.2 Sales forecast

58. The proposed development involves the construction of the GuoFeng Farmer's Market and generation of revenue from the sale of commercial space in the Project.

59. SFP has prepared indicative revenue forecasts for planning purposes which are based on comparable prices per square metre for commercial properties in Sichuan province.

60. SFP estimates an average sale price of of AU$2,070/m2 across the full 17,834.6m2 development.

61. We have reviewed the revenue estimates provided by SFP and those estimates do not appear unreasonable for indicative early stage planning purposes.

62. CUAAGA is not able to provide any assurance as to the likely achievability of the assumptions underpinning the project. However, based on the information available to us at the date of this report the assumptions employed in the financial projections do not appear to be unreasonable notwithstanding those actual conditions could materially vary from those anticipated by the project developer.

63. We understand that issuance of a project planning permit, project site permit and construction permit are needed before the commencement of construction. Accordingly the construction timing is uncertain.

14.3 Project financial position

TABLE 9 PROJECT FINANCIAL POSITION

As at $	30-Jun-15 Audited
Current assets	
Cash	3,142
Others	6,359,056
Total assets	**6,362,198**
Current liabilities	
Accounts payable	17,234
Other liabilities	4,639,072
Total liabilities	**4,656,306**
Net assets	**1,705,892**

Source: Audited Accounts

14.4 Project financial performance

TABLE 10 PROJECT FINANCIAL PERFORMANCE

For the 6 months ended $	30-Jun-15 Audited
Revenue	-
Expenses	
Management fee	(16,461)
	(16,461)
EBITDA	**(16,461)**
Depreciation & amortisation	-
EBIT	**(16,461)**
Borrowing costs	(199,501)
PBT	**(215,962)**

Source: Audited Accounts

14.5 Restrictions on transferring profit from Chinese operations to Australia

64. As advised by management, profit from Chinese operations will be sent to Hong Kong before distributed to Australia. Based on the current company structure, we understand that there are unlikely to be restrictions on transferring profit generated by the Chinese operations to the Australian parent once appropriate Chinese Government taxes are paid.

15. Project risk

65. CUAAGA considers the key risks associated with the Project to be:

    a. Final project approval may require changes or modifications to technical specifications outlined in this report. Any changes to technical specifications of the project will result in changes to forecast project returns;

    b. Delays in commencing project construction expose the project to changes in the pre-sale real estate market and may change project returns; and

    c. SFP have obtained mortgage financing to acquire the project site. We have not been provided with a detailed feasibility study or cashflow projections. Consequently, this report does not consider the impact of the project financing on the profitability of the project, although allowances have been included for project financing costs in the estimates provided.

    d. Core commercial and residential areas close to the proposed development by are still being built. If the current economic slowdown delays or stops these areas from being built this will mean the investment will not achieve the forecast investment return.

    e. Retail competition in the area may result in oversupply as it has in other second and third tier cities, resulting in high vacancy rates and lower revenues than forecast.

66. All current Project estimates and schedules have been prepared on a preliminary planning basis commensurate with current industry standards. Cost and timing estimates may differ significantly following detailed design or as a result of government approval requirements. Any changes could impact the prospects of the project.

16. Status of development approvals

67. SFP obtained approval on 29 April 2015 from Zigong Bureau of Land and Resources to modify the start and end construction dates of the project. Subsequently, the updated construction commencement date is 15 June 2015 and the completion date is 14 June 2017. However, we note the project is expecting some delay in the commencement of construction. All other conditions prescribed in the State-owned land use right approval contract (No. 51020020130041) remain unchanged.

68. SFP obtained Record Notice of Enterprise Investment Project approval on 23 June 2015 from the Bureau of Development and Reform (registration number: Sichuan investment [51031115062301] (No. 0012)).

69. Issuance of a project planning permit, project site permit and construction permit are needed before the commencement of construction.

16.1 Basis of key assumptions

70. CUAAGA has relied on the following assumptions in the preparation of this ITSR:

    a. The commercial planning accurately references planning conditions on the development;

    b. A project development period of 1.5 years based on the scale of the project;

    c. No change to site or market conditions that would materially impact the project operations or prospects;

    d. All currency (where stated) has been converted to Australian Dollars based on the exchange rate of AUD 1 = CNY 4.5313 as at 3 August 2015.

16.2 Other considerations

71. Construction of the project is yet to commence. Mortgage financing has been secured by SFP to finance the acquisition of the project land.

17. Conclusion

72. We have reviewed the indicative financial estimates prepared by SFP and conclude that the estimates do not appear unreasonable given the early conceptual stage of the project.

18. Investment's Decision

73. This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Investors. The decision to invest is a matter for individual investors.

74. Investors should consider the advice in the context of their own circumstances, preferences and risk profiles. Investors should also have regard to the Prospectus in its entirety.

75. Investors who are in doubt as to the action they should take in relation to the investment opportunity should consult their own professional adviser.

19. Limitations and Reliance on Information

76. Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

77. Our report is also based upon financial and other information provided by or on behalf of LCG. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the investor is in the best interests of the LCG investors. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.

78. An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be

recognised that such information is not always capable of external verification or validation.

79. All dollar amounts are shown in Australian dollars ["AUD"] unless otherwise stated.

20. General advice only

80. This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the investors. The decision to accept or reject the investment opportunity is a matter for individual investors. Investors of LCG should consider the advice in the context of their own circumstances and preferences. Investors who are in doubt as to the action they should take in relation to the investment opportunity should consult their own professional adviser.

81. CUAAGA has prepared a Financial Services Guide in accordance with the Corporations Act, 2001. This is included in Appendix 1 to this report.

82. Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

21. Independent disclosure

83. China United Assets Appraisal Group (Australia) is independent with respect to Sichuan FuChuang Real Estate Co., LTD and Living Cities Development Group Limited and confirms that there is no conflict of interest with any party involved in the assignment.

84. Under the terms of engagement between China United Assets Appraisal Group (Australia) and Living Cities Development Group Limited for the provision of this report China United Assets Appraisal Group (Australia) will receive a fee, based on time expended and our current standard terms and conditions, payable by Living Cities Development Group Limited. The payment of this fee is not contingent on the outcome of any transaction between Sichuan FuChuang Real Estate Co., LTD, Living Cities Development Group Limited and other party.

85. The Directors and staff of China United Assets Appraisal Group (Australia) involved in the preparation of this report hold no interest in Sichuan FuChuang Real Estate Co., LTD and Living Cities Development Group Limited.

Appendix 1 – Financial Services Guide

Issue Date: August 2015

China United Assets Appraisal Group (Australia) Co Pty Ltd ABN 52 169 153 557 ("China United Assets Appraisal Group (Australia) Co" or "we" or "us" or "our" as appropriate) provides general advice in relation securities to retail clients as an authorised representative of Capital Value Securities Pty Ltd ABN 46 123 674 886 ("CVS" or "licensee") AFSL No 311705.

Financial Service Guide

In the above circumstances we are required to issue you, as a retail client, with a Financial Services Guide [FSG]. This FSG is designed to help retail clients make a decision as to their use of our general security advice.

This FSG includes information about:

1. Who we are and how we and the licensee can be contacted
2. The services we are authorised to provide under the licensee's Australian Financial Services Licence
3. Remuneration that we, the licensee and any associates receive in connection with our general advice
4. The licensee's complaints handling procedures and how you may access them.

The licensee has authorised this FSG.

Financial services we are authorised to provide

We hold Authorised Representative number 001008149 authorising us to provide general security advice on behalf of the licensee, Capital Value Securities Pty Ltd.

General advice

We provide general advice, not personal advice because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing general advice. These fees will be agreed with, and paid by, the person who engages us. Fees will be agreed on either a fixed fee or time cost basis. Clients may request particulars within a reasonable time after receiving this Guide (and before any financial service is given).

Except for the fees referred to above, neither China United Assets Appraisal Group (Australia) Co, CVS nor any of their directors, employees or related entities receive any pecuniary benefit or other benefit directly or indirectly for or in connection with the provision of financial product advice.

Referrals

We do not pay commissions or provide other benefits to any person for referring customers to CVS or us in connection with the advice that we are authorised to provide.

Associations and relationships

CVS and CUAAGA are ultimately controlled by, and operate as part of the Peloton Global group of companies. Our Directors may be executive directors of CVS.

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business.

Complaints resolution

Internal complaints resolution process

As a holder of an Australian Financial Services Licence, CVS is required to have a system for handling complaints from retail clients to whom it and its representatives provide financial product advice. All complaints must be in writing, addressed to: The Complaints Officer, Capital Value Securities Pty Ltd, Level 2, 65 Southbank Boulevard, Southbank, Vic 3006.

When CVS receives a written complaint it will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practicable and not more than 45 days after receiving the written complaint, it will advise the complainant in writing of its determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or the licensee's determination, has the right to refer the matter to the Financial Ombudsman Service Ltd ["FOS"]. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available from the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Ltd. GPO Box 3, Melbourne Victoria 3001 or toll free 1300 78 08 08 or by facsimile (03) 9613 6399.

Professional Indemnity insurance

China United Assets Appraisal Group (Australia) Co has Professional Indemnity insurance in place that covers claims in respect of current and former employees and representatives for services provided on behalf of China United Assets Appraisal Group (Australia) Co. This insurance satisfies the requirements under the Corporations Act relating to compensation arrangements.

Contact details

You may contact CVS at level 2, 65 Southbank Boulevard, Southbank Vic, 3006 or by phone (03) 9626 4300 or by facsimile (03) 9626 4301.

Appendix 2 – Statement of Qualifications and Declarations

China United Assets Appraisal Group (Australia) Co is qualified to provide this report. It is the corporate authorised representative of Capital Value Securities (a wholly-owned subsidiary of CUAAGA), which holds an Australian Financial Services Licence under the Act. The CUAAGA personnel responsible for this report have not provided financial advice to LCG in relation to this Proposed Transaction.

Prior to accepting this engagement, CUAAGA considered its independence with respect to LCG with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of LCG.

This report has been prepared specifically for the investors of LCG. Neither CUAAGA nor any member or employee thereof undertakes responsibility to any person, other than a investors of LCG, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report CUAAGA has relied upon and considered information believed after due inquiry to be reliable and accurate. CUAAGA has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. CUAAGA has evaluated the information provided to it by LCG, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base this report. CUAAGA does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose. The information we have had regard to in the preparation of this report is set out in Appendix 4 – Sources of Information.

The information provided to CUAAGA has been evaluated through analysis, enquiry and review to the extent it considered necessary for the purposes of forming an opinion. CUAAGA does not warrant that its enquiries have identified or verified all the matters that a formal audit or due diligence may disclose. Accordingly, this report and the opinions contained in it should be considered more in the nature of a commercial and financial review rather than a comprehensive audit or due diligence.

LCG has provided an indemnity to CUAAGA for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

This report should be read in its entirety to ensure that no isolated statements, analyses or other factors are construed out of context. The preparation of an opinion is a complex process and subject to professional judgement. The overall opinion is not to partial analysis or summary.

CUAAGA provided draft copies of this report to the independent directors and management of LCG for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of CUAAGA alone. Changes made to this report as a result of this review by the independent directors and management of LCG have not changed the methodology or conclusions reached by CUAAGA.

CUAAGA will receive a professional fee based on time spent in the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. CUAAGA will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Michael Churchill, a director of CUAAGA, has assumed overall responsibility for this report. He has over 25 years' experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. Michael holds a Bachelor of Administration, post graduate Diploma in Financial Analysis and Investment and is a Fellow of CPA Australia, a Senior Fellow of Finsia, a member of the Tax Institute and of the Institute of Company Directors.

Mofei Xiong, a director of CUAAGA, has provided significant project management, analysis and translation support in the production of this report. He holders a bachelors degree in Accounting and a Masters of Accounting conferred by the University of Technology Sydney. Mofei has over 4 years' relevant experience in the valuation and assessment of businesses, securities, and intangible assets. Mofei was born in China and has worked in Australia since completing undergraduate and Masters degrees in Australia. Mofei is a member of the Institute of Chartered Accountants in Australia and New Zealand.

Details of the CUAAGA team members who performed the majority of research and analysis in China are provided below.

TABLE 10 CUAAGA ASSIGNMENT TEAM

Name	Responsible person 1 Bingxi Fang	Responsible person 2 Guirong Tian
Title	Deputy General Manager	Department Manager
Professional working career (years)	21	16
Occupation qualification	Certified Practicing Valuer	Certified Property Valuer
Registered certification number	11000094	2004510240

Bingxi Fang is the Deputy General Manager of China United Assets Appraisal Group Northwest Branch. Bingxi Fang was awarded as one of the nine most senior valuation expert in Sichuan Valuation Association and he is also a senior fellow of the Disciplinary Committee of Sichuan Valuation Association. Mr Fang has intensive experience in valuation business and properties in China, he has provided approximately 30 valuation report for IPO purpose.

Guirong Tian is the manager of property department of China United Assets Appraisal Group Northwest Branch. Ms Tian was graduated from Sichuan Construction Engineering School with major in Commercial and Residential Property Construction. Ms Tian has been appointed as property valuation expert in a number of Chinese valuation companies during her valuation career.

In the preparation of this report CUAAGA has had regard to relevant Regulatory Guides issued by ASIC. It is not intended that the report should be used for any other purpose than for inclusion in the Prospectus.

The financial forecasts considered in the preparation of this report reflect the judgement of directors and management of LCG based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecast and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

CUAAGA consents to the issue of this report in the form and context in which it accompanies the prospectus of LCG and does not at the date of this report, withdraw such consent.

Appendix 3 – Document reference list

Ref	Document
1	Business registration of Sichuan FuChuang Real Estate Co., Ltd. (copy)
2	Preliminary Certificate of Real Estate Development issued by People's Republic of China
3	Contract of land transfer and land use certificates (copy)
4	Letter on land planning condition of C-11-1 block, New City Zone issued by Zigong Urban and Rural Planning and Construction and Housing Security Bureau (self-regulated construction letter [2012] No. 413)
5	Record Notice of Enterprise Investment
6	Independent Technical Qualification Certificate
7	Independent Technical Specialist Report prepared by China United Assets Appraisal Group Co., LTD. Southwest Branch

HLB Mann Judd

Accountants | Business and Financial Advisers

22 December 2015

The Board of Directors
Living Cities Development Group Limited
3 Camden Street
BELMONT WA 6104

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT – LIVING CITIES DEVELOPMENT GROUP LIMITED

INTRODUCTION

This Investigating Accountants Report has been prepared for inclusion in the Prospectus dated on or about 22 December 2015 by Living Cities Development Group Limited (formerly Ferrowest Limited) (the "Company")in connection with the proposed offer of 15,000,000 shares in the Company at an issue price of $0.20, raising $3,000,000 (the "Offer") to be undertaken in connection with the acquisition of Sichuan Fuchuang Properties Co., Ltd ("SFP") (the "Acquisition"), with a minimum subscription of at least 14,250,000 shares at an issue price of $0.20, raising $2,850,000 (before costs of the Offer).

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of the Company.

All amounts are expressed in Australian dollars unless otherwise stated and expressions defined in the Prospectus have the same meaning in this report.

Further declarations are set out in Section 5 of this Report.

STRUCTURE OF REPORT

This Report has been divided into the following sections:
1. Scope of the Report
2. Directors responsibility
3. Our responsibility
4. Conclusions; and
5. Statements

1. SCOPE OF THE REPORT

1.1 Historical Financial Information

You have requested HLB Mann Judd ("HLB") to review the historical financial information of the Company and SFP as included in Section 9 of the Prospectus.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in the Australian Accounting Standards and the Company's adopted accounting policies. The historical financial information has been extracted from the consolidated financial report of the Company for the year ended 30 June 2015, which has been subject to audit by HLB in accordance with the Australian Auditing Standards. HLB issued an unmodified audit opinion containing an emphasis of matter in relation to going concern on the financial statements of Company.

1.2 Pro Forma Financial Information

You have requested HLB to review the consolidated proforma financial information of the Company included in the Prospectus.

The proforma financial information has been derived from the consolidated historical financial information of the Company, after adjusting for the effects of proforma adjustments described in section 9 of the Prospectus including the acquisition of SFP. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the proforma adjustments relate, as described in section 9.2.4 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the proforma financial information does not represent the Company's actual or prospective financial position.

2. DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation of the Company's historical financial information and proforma financial information, including its basis of preparation and the selection and determination of proforma adjustments made to the historical financial information to determine proforma financial information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and proforma financial information that are free from material misstatement.

The historical financial information and the proforma financial information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

3. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 ""*Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*" and included such enquiries and procedures which we considered necessary for the purposes of this Report.

The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and proforma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or proforma information included in this Report or elsewhere in the Prospectus.

Our engagement did not involve updating or re-issuing any previously issued audit report or review report on any financial information used as a source of the financial information.

4. Conclusions

4.1 Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information of the Company, as described in section 9 of the Prospectus, being the consolidated Statement of Financial Position of the Company as at 30 June 2015, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 9 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

4.2 Proforma financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma financial information of the Company as described in section 9 of the Prospectus, being the proforma consolidated Statement of Financial Position of the Company as at 30 June 2015 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 9 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the proforma adjustments relate, as described in section 9.2.4 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information.

5. STATEMENTS

5.1 Restrictions on Use

Without modifying our conclusions, we draw attention to section 9 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

5.2 Consent

HLB Mann Judd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

5.3 Liability

The liability of HLB Mann Judd is limited to the inclusion of this report in the Prospectus. HLB Mann Judd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

This Report does not address the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. HLB Mann Judd has not been requested to consider the prospects for the Company, nor the merits and risks associated with becoming a shareholder, and accordingly has not done so, nor purports to do so.

HLB Mann Judd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company, as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus other than the responsibility for this report.

5.4 Independence and Disclosure of Interest

HLB Mann Judd are the appointed statutory auditors of Living Cities Development Group Limited (formerly Ferrowest Limited). HLB Mann Judd does not have any interest in the outcome of this transaction other than the preparation of this report for which normal professional fees will be received.

Yours faithfully
HLB MANN JUDD

N G NEILL
Partner

Sichuan Renhou Lawyers Office

33 – 25 South Train Station Road West , Wuhou District, Chengdu City,

Sichuan Province, PRC

Phone：86-28-85000008

Fax：86-28-85150033

TO：The Independent Directors

Living Cities Development Group Limited

3 Camden Street，Belmont WA 6104, Australia

2015/12/17

LEGAL OPINIONS:

PANAUST (CHENGDU) INTERNATIONAL TRADE CO., LTD ACQUIRES SICHUAN FUCHUANG PROPERTY CO., LTD

Sichuan Renhou Lawyers Office (the office) is commissioned by Living Cities Development Group Limited (the client or LCG) to give legal opinions in relation to its associated Chinese company (controlled company) Panaust (Chengdu) International Trade Co., Ltd (Panaust) acquiring Sichuan Fuchuang Property Co., Ltd (Fuchuang). The office assigns the task to lawyer Jun Long and lawyer Yanbin Jing.

In relation to this letter of legal opinions, the office hereby makes the following declaration:

1. The office is a legally established law firm in the jurisdiction of the People's Republic of China (China). It is registered in Chengdu City, Sichuan Province, China, and holds "Operation permit of law firm" (Permit No.: 25101201410594984) issued by Ministry of Justice of China.

Lawyers of the office are registered lawyers holding “Lawyer practice certificate of PRC” in accordance with relevant laws. Of our lawyers, lawyer Jun Long is a partner of the office with practice certificate No. 15101200810314146 and lawyer Yanbin Jing is a professional lawyer of the office with practice certificate No.15101201310988064.

2. The office operates independently. It is not affiliated to or associated with the client. Except charging the client service fees as per legal service fees standard set by Chinese relevant laws and regulations for providing these legal opinions, the office does not have any business transactions or common interest with the client.

The lawyers of the office issue this letter of legal opinions based on principles of objective, truthfulness and independence. The client’s commission does not make the office intentionally make false or misleading statements or opinions.

3. Lawyers of this office issue their legal opinions based on the facts that existed or happened before the issuance date of this letter and regulated by existing laws and regulations and normative documents. Lawyers of this office do not issue any legal opinions for any legal matters outside of China (including).

4. The lawyers of the office agree that, as a necessary document for the share acquisition, along with other documents, this letter of legal opinions is to be incorporated into the client’s prospectus. Sichuan Renhou Lawyers Office has given, and not before the lodgment of the prospectus, withdrawn their consent to be name in the prospectus as the Independent Chinese Solicitor and to the inclusion of this report in the form and context in which it is included, together with all references to this report in the prospectus. Sichuan Renhou Lawyers Office has not authorised or caused the issue of the prospectus other than its report and any reference to it.

As per common practice standards, professional ethics and due diligence spirit of Chinese Lawyers and after checking and verifying the documents provided by Panaust and related facts, lawyers of the office issue the following legal opinions:

1. Basic information about the acquiring party Panaust

Through our lawyers’ checking, we confirm that Panaust is a limited liability company (solely-owned by legal entities from Taiwan, Hong Kong or Macao) set up within Chinese territory; registration office of Panaust is Business Administration Bureau of

Chengdu City, Sichuan Province (registration number: 510100400049234); date of incorporation is June 8, 2015; legal representative is Brett Lee Manning; registered capital is A$2,002,521; registered office is Unit 101, Building 1, 29 Renmin Middle Road Section 2, Qingyang District, Chengdu City, Sichuan Province; business scope is importing and exporting iron ore, manganese ore, copper ore, lead and zinc ore, aluminum ore and dry and fresh fruits; the shareholder of Panaust is a Hong Kong legal entity Ferrowest Hong Kong Limited (certificate No. 2178661) that holds 100% of Panaust shares; currently, the registration status of Panaust shows as active.

2. Basic information about object company Fuchuang

Through our lawyers' checking, we confirm that Fuchuang is a limited liability company (invested by or majority shares controlled by natural persons) set up within Chinese territory; registration office of Fuchuang is Business Administration Bureau of Zigong City, Sichuan Province (registration number: 510300000047124); date of incorporation is March 21, 2011; legal representative is Jingda Song; registered capital is RMB 8.80 million yuan; registered office is No. 10, level 7 Yingxiang Commercial Building, 37 Group, Dangui residents' committee, Huidong New District, Zigong City, Sichuan Province; business scope is real estate development and management, financing consulting, and engineering and technical consulting; shareholders of Fuchuang are Jingda Song and Huiming Feng; Jingda Song invests RMB 4.576 million yuan and holds 52% of Fuchuang's shares; Huiming Feng invests RMB 4.224 million yuan and holds 48% of Fuchuang's shares; currently, the registration status of Fuchuang shows as active.

In addition to this basic information, we have checked and confirmed that Fuchuang has obtained land use right over a parcel of state-owned land (land location: Yantan New District C-11-1, Area: 9057 square meters, nature: commercial land) in Yantan District of Zigong City, Sichuan Province, China. Fuchuang plans to build a farmer's market on this land. The name of the project is "GuoFeng Farmers Market Complex".

3. Analysis on the shares capital acquisition process

Panaust's shares acquisition within China is not a business operation behaviour but an investment behaviour which is not restricted by its registered business scope. Documents show that Panaust intends to acquire 51% shares of Fuchuang from Huiming Feng and Jingda Song and become a registered shareholder of Fuchuang.

In accordance with “Company Law of the People's Republic of China ”, “the Law of the People's Republic of China on Sino-Foreign Joint Ventures ”, “The Law of the People's Republic of China on Foreign-Capital Enterprises”, “Regulations of the People's Republic of China on Company Registration”, “The Provisional Regulation on Investment within China by Foreign Investment Enterprises” and other laws and regulations, Panaust is an legally eligible entity to acquire shares, which is in conformity with Chinese laws, government regulations, and rules. The specific acquisition procedure is as follows:

(1) Fuchuang calls a shareholders general meeting with attendees Jingda Song and Huiming Feng. The meeting passes a shareholder’s resolution (old) stating Jingda Song and Huiming Feng agree to sell their shares to Panaust. At the same time, Panaust signs a shares sale and purchase agreement with shareholders Huiming Feng and Jingda Song respectively to agree on matters including price and portion of share sale and purchase and payment time. Then the parties implement the agreements.

(2) Fuchuang calls a shareholders general meeting with attendees Jingda Song and Panaust. The meeting passes a shareholder’s resolution (new) to agree on electing new Legal Representative and Supervisors and to pass new Articles of Association.

(3) Fuchuang deputes relevant people to lodge above-mentioned documents along with documents required by “The Provisional Regulation on Investment within China by Foreign Investment Enterprises” to Business Administration Bureau of Zigong City, Sichuan Province, China to apply for changing the company’s registration.

(4) Business Administration Bureau of Zigong City, Sichuan Province, China accepts the application once all required documents are received and then completes the filing and registration. To this point, the share acquisition is complete. The legal registration process takes 7 working days if all required documents are in place.

The risk of this transaction is that the parties fail to reach “Shares Sale and Purchase Agreement” or fail to implement the agreement.

4. Matters about Panaust's dividend after Panaust becomes a shareholder of Fuchuang

(1) Panaust gets dividends from Fuchuang

After Panaust completes Fuchuang's registered capital acquisition, Fuchuang becomes a Sino-foreign joint venture. Pursuant to "the Law of the People's Republic of China on Sino-Foreign Joint Ventures" and "Regulations for the Implementation of the Law of the People's Republic of China on Sino-Foreign Joint Ventures" and other relevant laws and regulations, if Fuchuang makes profit from its operation (developing the farmers market project), Fuchuang should distribute profit to its shareholders in proportion to their capital contribution. Fuchuang can legally distribute 51% of actual distributable profit to Panaust.

The specific profit distribution procedure is as follows:

(i) paying corporate income tax required by laws;

(ii) retaining statutory common accumulation fund;

(iii) distributing 51% of the remaining profit to Panaust as per Panaust's capital contribution.

To this point, the above-distributed profit becomes Panaust's lawful income (dividend) from its external investment business.

(2) Ferrowest Hong Kong Limited gets dividends from Panaust

Panaust is a legally established foreign-capital company in China. Pursuant to "the Law of the People's Republic of China on Foreign-Capital Enterprises", "Regulations for the Implementation of the Law of the People's Republic of China on Foreign-Capital Enterprises" and other relevant laws and regulations, as Panaust's shareholder, Ferrowest Hong Kong Limited's investments within China, profits from investments, and other legal rights are protected by Chinese laws. The specific procedure that Panaust distributes its profits is as follows:

(i) paying corporate income tax required by laws;

(ii) retaining statutory common accumulation fund (or reserve fund, and employee incentive and welfare fund);

(iii) withholding and paying income tax for Ferrowest Hong Kong Limited;

(iv) distributing the remaining profit to Ferrowest Hong Kong Limited.

The above-mentioned profit (dividend) from Panaust can be remitted overseas (including Hong Kong).

To transfer the profit overseas, Ferrowest Hong Kong Limited needs to complete "Taxation Recordation Procedure" with Chinese taxation offices and then go through "remittance procedure" at the banks designated by the Chinese foreign currency administration authority. The process is estimated to take 10 working days to complete.

There are two risks in which Panaust cannot transfer its profit overseas: one is required taxes are not paid, and the other is statutory common accumulation fund (funds) is not retained.

5. Conclusion

In summary, Lawyers of the office form a view that Panaust acquires 51% registered capital is in conformity with Chinese relevant laws and regulations; as a shareholder of Panaust, Ferrowest Hong Kong Limited can transfer its legally made profits outside of China (including Hong Kong).

There are to be 4 signed and stamped original copies of this letter. Each of them has the same legal effect.

Sichuan Renhou Lawyers Office

（stamp）

四川仁厚律师事务所 510[illegible]09268158

Handling lawyers：龙君

Jun Long

景言宴

Yanbin Jing

December 17 , 2015

8. RISK FACTORS

The current and planned activities of the Company are such that they include inherent risks. These risks mean that any New Shares issued by the Company under the terms of this Prospectus must be considered speculative. The Directors strongly advise that potential investors consider the information included in this Prospectus in its entirety and consult licenced professional advisors before making an investment decision.Some of the more critical types of risks that apply to investing in the New Shares of the Company are set out below and should be evaluated carefully before making any investment decision. The list is not exhaustive:

Customer Demand Risk

The profitability of the Project relies on potential retailers, property managers or property investors purchasing commercial space in the Project. There is no guarantee that the customers will purchase space at the pace and for the price anticipated in the Project planning, or at all. The decision of customers to buy can also be impacted by a myriad of external economic factors. These factors can impact the level of customer interest, the timing of sales and the sale prices. Failure to secure the projected rate of sales and/or the anticipated prices will negatively impact both cash flow for the development of the Project and overall profitability of the Company.

Capital Funding Requirements

The development of the Project is dependent on loan funding to SFP in order to meet a proportion of the construction cost requirements. While it appears that the amount of capital needed will be available in the required timeframe and on appropriate terms, this is not certain at this stage and is likely to be dependent on conditions such as the results of the detailed design of the Project, which are yet to be completed. In the event that such capital is not available as anticipated, other possibly less favourable arrangements will need to be implemented. This may negatively impact the amount and timing of the future profitability of the Company.

Foreign Jurisdiction Risk

The Company's operations will be subject to laws in China, as well as Australia. Changes to the law in either jurisdiction could materially impact the business of the Company. Any company that operates in a jurisdiction outside the one in which it is registered, may be subject to additional restrictions placed on foreign companies operating in those jurisdictions. Business relations between Australia and China could also impact the ability of the Company to do business in China.

Taxation Risks

The compliance of the Company with taxation requirements across multiple jurisdictions will be more complex than a company which only operates in Australia. This additional complexity may require the Company to incur additional management costs, which may in turn reduce profitability. Profits generated but SFP will be subject to Enterprise Income Tax, the Common Accumulation Fund and Withholding Taxes in China and while the current understanding of the Company is that profits repatriated out of China to Hong Kong and then Australia will not attract any further taxes in either of the two latter jurisdictions, taxation is a very complex area and the outcomes can vary from case to case. Should further taxes need to be paid in China or other jurisdictions, this could negatively impact the profitability of the Company. Refer to Section 3.2.8 for further information on taxation.

Repatriating Profits

The repatriation of profits from China is controlled by the Chinese Government. While there is not expected to be any issues with transferring profits once all appropriate taxes are paid to the Chinese Government, the rules around the repatriation of money from China could be altered at any time in a manner that could negatively impact the business of the Company. Current account foreign exchange receipts and payments are largely unrestricted but capital account foreign exchange receipts and payments do have more controls. These controls may further hamper the Company's ability to deploy its revenues effectively. Section 7, the Independent Chinese Solicitor's Report, provides further detail around repatriating profits from China.

Regulatory Approvals

Construction of the Project cannot commence until further Chinese Government approvals are secured. The Company is not aware of any issues at this time that would prevent the granting of these approvals but there is no guarantee that all required approvals will be granted in a timely fashion, or at all. Approvals that are secured in the future may still be delayed or have attaching terms that negatively impact the future profitability of the Project and/or the Company.

Land Use Right Risks

All land in the PRC is either state-owned or collectively owned. SFP holds a Land Use Right in China for the land upon which the Project is to be built. The PRC Government may amend the rights associated with land generally in China or specifically in relation to foreign control and/or ownership. However, while the PRC Government has the right to terminate the Land Use Rights or compulsorily acquire the land, just as the Australian Governments do for freehold land in Australia when required for public purposes historical practice has shown that these powers are exercised no differently than in Australia. The Company is not aware of any plans to change the rules around Land Use Rights but should there be any changes in PRC Government policy in the future it could be detrimental to the Company and its participation in the Project.

Share Market Risks

There are always risks associated with investing in stock markets. The Shares of the Company will remain ‘speculative’ for some time into the future until the Company’s new business has grown and matured into a sustained business model.

Future Profitability

The Directors are confident that the planning projections for the Project support the potential for a profitable business model but the Company has no history in this business space on which to draw further reassurance. There can be no certainty at this stage about the ability of the Company to secure and sustain profits into the future. If the Project is not profitable, the Company does not currently have any other source of income to sustain its operations.

Exchange Rate Risks

As an Australian company, the Company must account for its operations and pay any dividends in Australian dollars but its primary operations will occur within China and must occur in Chinese Yuan. This will expose the Company to exchange rate movement risks in respect of its Chinese operations. Should the exchange rate change adversely in respect of the Company’s position, this may result in an exchange rate loss that may impact the company’s profitability or dividend returns to Shareholders.

SFP Share Transfer Risk

At settlement, concurrent with the issue of New Shares under the terms of the Prospectus, the Company will receive signed share transfer documentation, in favour of the Company’s 100% owned Chinese subsidiary Panaust, for the 51% of the shares in SFP for registration with the Chinese Government authorities. While the registration of the transfer is a procedural process, as it is here in Australia, should this transfer not proceed in a timely fashion as anticipated, it could negatively impact on the prospects of the Company. Section 7, the Independent Chinese Solicitor’s Report provides further detail around this risk.

Construction Risk

The Company’s initial business will be in developing the Project. The Company will ensure that SFP engages reputable and experienced contractors to perform the design and construction of the Project, however, should there be construction quality issues, this could impact the profitability of the Project by causing delay, requiring rectification works or deterring potential sales of the commercial space. While SFP will use fixed price contracts for much of its construction activities, any underestimation of construction costs or indirect cost overruns may also negatively impact Company profitability.

Contract Risk

The Company enters into contracts in the normal course of its business. Should the Company be unable to perform any of its contractual obligations under these contracts, the future business of the Company could be negatively impacted. Likewise, should third parties to these contracts fail to perform their contractual obligations, this could also negatively impact the future business of the Company.

Lack of Insurance Risk

Insurance companies in China offer a limited range of commercial insurance products and some are prohibitively expensive compared to Australian equivalents although there are some compulsory insurances for employees and vehicles. There may be some risks which would normally be covered by insurance in an Australian context that will not be covered in China. This may expose the Project to risks like flood, fire, storm and tempest without the normal insurance coverage. The Company will implement insurances where available and appropriate as part of its overall risk management strategies but in the event that a catastrophic event, to which no insurance will respond, impacts the Project, this could negatively impact the Company profitability.

Future Property and Infrastructure Developments

If the Project is successful, the Company will need to seek out further future property or infrastructure development opportunities. If no such suitable opportunities can be identified and secured in a reasonable time frame and on reasonable terms, this could negatively impact the ability of the Company to sustain profitable operations.

Control Risks

Upon completion of the Offers, Yaopeng will have a controlling interest in the Company. This will allow Yaopeng to have a great influence over many of the decisions of the Company including membership of the Board if they so choose. This control is tempered by the requirements of the law, particularly in respect of related party transactions and special resolutions of the Company at a General Meeting of members. Yaopeng has stated its support for the current business plan and the Board (See Section 1.15.2). However, Yaopeng, may have different interests and views in the future to other Shareholders or even to that of the Board and may choose to exercise the rights available to it as controlling shareholder.

Enforcement of Judgements

The PRC Government does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with most western countries. Therefore, if required, it might be difficult for the Company to enforce any judgements from any non-PRC courts against parties within China. This may limit the legal options available to the Company in the course of its business.

9. FINANCIAL INFORMATION

9.1 No Prospective Financial Forecasts

The purpose of the Offers, among other objectives, is to fund the detailed design of the Zigong GuoFeng Farmers Market Project in order to establish accurate cost estimates and secure PRC Government approvals to build the Project. Until this detailed design work is completed, and given the matters set out in the ASIC Policy Statement 170, the Company considers that there are significant uncertainties associated with forecasting the implementation of the new business plan in respect of timing, expenses and revenues and further that it does not have a reasonable basis to provide potential investors with reliable revenue, profit or cash flow projections or forecasts at this current time. As a consequence, the Company's future financial performance cannot be reliably estimated.

9.2 Proforma Statement of Financial Position

9.2.1 Introduction

The Directors are responsible for inclusion of all financial information in the Prospectus. HLB Mann Judd has prepared an Investigating Accountant's Report in respect of the Historical and Proforma Information. A copy of this report is at Section 6.

The historical audited Statement of Financial Position for the Company Group at 30 June 2015 on a consolidated basis is set out below, together with the Proforma Statement of Financial Position on a consolidated basis as at that date, assuming completion of the Offers and adjustment for various relevant matters. This Proforma Statement of Financial Position should be read in conjunction with the notes following it.

9.2.2 Basis of Preparation

In accordance with the measurement and recognition criteria of the Australian Accounting Standards, the Historical Financial Information and the Proforma Financial Information has been prepared for illustrative purposes on the assumption that the proposed acquisition and other transactions occurred on 30 June 2015.

The Historical and Proforma Information is presented without all of the disclosures, statements, comparative information and notes required in an annual financial report that is in compliance with Australian Accounting Standards and the Corporations Act.

The 30 June 2015 accounts of the Company have been audited by the Company's Auditor, HLB Mann Judd. The 30 June 2015 accounts of SFP have been audited in China by Zigong MingChuan United Accounting Firm. The Proforma Information has been prepared based on the:

1. The 30 June 2015 audited accounts of the Company;
2. The 30 June 2015 audited accounts of SFP;
3. Relevant Proforma adjustments required to present the consolidated group upon the Company's acquisition of SFP; and
4. Completion of the Offers (on a full subscription basis) and related matters as described in this Prospectus.

This Section 9.2 presents financial information on a Proforma basis and it is likely, therefore, that it will differ from the actual results upon completion of the acquisition, the Offers and related matters.

The Company is the acquirer of SFP for accounting purposes and the accounting policies of the combined group will be the accounting policies of the Company.

The significant accounting policies of the Company can be found in its Annual Report for the year ended 30 June 2015 at the Company's web site www.lcg.properties

No adjustments to the Proforma consolidated accounts have been made other than as disclosed in Section 9.2.4.

9.2.3 New Accounting Policies of the Consolidated Group

As a consequence of the Company's proposed change of business reflected in this Prospectus, the Company has adopted a new significant accounting policy in respect to land as follows:

Revaluation of land and buildings

Fair value is determined directly by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

	Notes	Consolidated Audited 30-Jun-15 $	Movement $	Consolidated Proforma 30-Jun-15 $
Assets				
Current Assets				
Cash and cash equivalents	1	48,369	2,236,220	2,284,588
Other assets		402	-	402
Total Current Assets		48,771	2,236,220	2,284,991
Non-Current Assets				
Other assets		33,828	-	33,828
Property, plant and equipment		16,016	-	16,016
Asset held for sale	2	750,000	(150,000)	600,000
Land - GuoFeng Farmers Market Site	3	-	6,591,750	6,591,750
Deferred exploration expenditure		127,866	-	127,866
Total Non-Current Assets		927,710	6,441,750	7,369,460
Total Assets		976,481	8,677,970	9,654,451
Liabilities				
Current Liabilities				
Trade and other payables	4	998,357	(981,123)	17,234
Borrowings	5	1,531,735	(1,531,735)	-
Total Current Liabilities		2,530,092	(2,512,858)	17,234
Non-Current Liabilities				
Borrowings	6	-	3,579,773	3,579,773
Total Non-Current Liabilities		-	3,579,773	3,579,773
Total Liabilities		2,530,092	1,066,915	3,597,007
Net Assets		(1,553,611)	7,611,055	6,057,444
Equity				
Issued capital	7	19,700,333	7,375,000	27,075,333
Non Controlling Interests	8	-	949,907	949,907
Accumulated losses	9	(21,253,944)	(713,853)	(21,967,796)
Total Equity		(1,553,611)	7,611,055	6,057,444

TABLE 12 – Proforma Statement of Financial Position

9.2.4 PROFORMA ADJUSTMENTS AND OTHER NOTES

1. Cash of A$2,233,078 out of the A$5,500,000 to be raised under the combination of the Public Offer and the Yaopeng Placement Offer is included here, together with A$3,142 of cash held by SFP, which increases the total cash and cash equivalents held by the group on consolidation by a total of A$2,236,220 to A$2,284,588.

2. The Yogi Mine Project remains available for sale but the current asking price has been reduced by 20% from $750,000 to $600,000 since 30 June 2015 following the surrender of certain mining leases representing 20% of the expected sale value. This price represents a small fraction of the actual investment into project exploration on that project and its value was written down significantly at 30 June 2015 in response to the fall in iron ore prices. The sustained low iron ore prices in the market does impact the prospects of selling this project and realising the value shown in the Proforma Statement of Financial Position, however, there remains, in the current view of the Directors, potential for such a sale during the remainder of the current financial year and on this basis the Directors have determined that the Yogi Mine Project is not further impaired at this time. If the carrying value is not realised through sale and the Directors determine to further impair its value in the future, this will not impact the Company's ability to achieve the objectives of the Offers and the structure of the Offers has been prepared on the basis that the Yogi Mine Project may not be monetised through sale.

3. This represents the carrying value of the land from the SFP audited accounts of A$6,359,056 plus the premium to be paid by the Company on acquisition of the interest at A$232,694, which on consolidation are recorded as the value of the land on acquisition at A$6,591,750. In the Chinese audited accounts of SFP (see Table 10), the land has been reclassified as a current asset. It is shown here as a non-current asset in accordance with the Australian accounting standards.

4. This is the retirement of A$981,123 of long term liabilities by payment in cash from the proceeds of the Public Offer.

5. This is the retirement of A$1,531,735 by conversion to equity under the Debt Shares Offer.

6. Upon consolidation, the group takes on the full liabilities of SFP for accounting purposes, being a bank loan A$2,648,247 which is secured against the Project land and a loan to the minority shareholder in SFP, Mr Jingda Song for A$931,526 for a total liability of A$3,579,773.

7. Upon completion of the Offers at full subscription, the Company will issue 37,250,000 shares at 20 cents each for a total of $7,450,000, less the cash cost of the Offers (A$75,000) resulting in a net increase in issued capital of A$7,375,000. See Section 9.2.6 for details.

8. On consolidation, 100% of SFP's assets and liabilities are incorporated into the group for accounting purposes but the Company will only hold 51% of the SFP and therefore the ownership of the remaining 49% of the net assets of SFP, held by the minority shareholder in SFP, Mr Jingda Song, is recognised on consolidation as Non-controlling interests in equity of A$949,907.

9. Expenses incurred by the Company during the reconstruction are fully expensed and include: A$396,000 on the costs of the Offers (See Section 10.3 for details); A$150,000 of impairment of the tenement value held for sale (see note 2 above); ~A$60,000 provision for the payment of the option fees at the time of the acquisition of SFP (see Section 10.2.4); and ~$108,000 in general corporate expenses during the period of the Offers.

9.2.5 Cash and cash equivalents

The movement in cash and cash equivalents at 30 June 2015 in the Proforma Statement of Financial Position are shown as follows:

	A$
Actual cash and cash equivalents at 30 June 2015 on a consolidated basis:	51,500
Proforma adjustments	
Net proceeds from the Offers	5,425,000
Cost of exercising the options and acquisition of the SPF interest	(2,107,000)
Repayment of other liabilities	(1,085,000)
Proforma Cash and Cash Equivalents	2,284,500

** Rounded to the nearest $100.*

9.2.6 Issued Capital

The movement in Issued Capital as reflected in the Proforma Statement of Financial Position at 30 June 2015 is shown as follows:

	Number of Ordinary Shares	Capital Raised (before costs)
Opening ordinary shares	5,620,647	$
Public Offer	15,000,000	3,000,000
Yaopeng Placement Offer	12,500,000	2,500,000
Debt Shares	9,750,000	
Advisor Shares	750,000	
Sub-total New Shares	38,000,000	5,500,000
Total Shares on issue after the Offers (full subscription)	43,620,647	

Note: $1,950,000 in debt is retired by the Debt Share Offer

See Section 1.9 for further details.

9.3 GuoFeng Farmers Market Project Financial Information

The Independent Technical Specialist Report provides information about the Zigong GuoFeng Farmers Market project that provides the general scope and potential of future operations of that Project following completion of the Offers.

The early stage of the proposed Zigong GuoFeng Farmers Market Project (the proposed new business of the Company) in its development cycle means that there is not a reasonable basis for the Company to use the currently available information to support estimates of the future financial performance of the Project under the proposed business plan.

9.4 HISTORIC FINANCIAL PERFORMANCE OF THE COMPANY

With the completion of the Offers and the re-quotation of the Company's Shares on the ASX, the Company will commence its new business in Property and Infrastructure Development. As a result, the financial performance of the Company in its previous business of mineral exploration is not relevant to its future performance and is not provided in this Prospectus. The historical Annual Reports of the Company are available on the Company's website at www.lcg.properties

10. OTHER INFORMATION

10.1 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

The rights attaching to Shares (including the New Shares) are defined in the Company's Constitution as modified in certain circumstances by the effect of the Corporations Act, the ASX Listing Rules and general law.

The Constitution may be inspected during normal business hours at the registered address of the Company.

The following are some of the key rights and liabilities attaching to the Shares (including the New shares) of the Company but this is not exhaustive and it is not intended to be a definitive list:

General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the ASX Listing Rules.

Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary Shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary Share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

Issues of Further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide.

However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in respect of special classes of shares.

Variation of Rights

At present, the Company has on issue one class of shares only, namely ordinary Shares. The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

Transfer of Shares

Subject to the Company's Constitution, the Corporations Act and the ASX Listing Rules, ordinary Shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the ASX procedures, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act.

The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the ASX Listing Rules. If the Company declines to register a transfer, the Company must, within five Business Days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the ASX Listing Rules.

Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

Dividends

The Board may determine that a dividend, including an interim dividend is payable and fix the amount, time for payment, and method of payment which may include the payment of cash, the issue of shares, the grant of options and the transfer of assets.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary Shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the Shares.

Winding Up

In a winding up, the liquidator may divide the surplus assets amongst all or any of the contributories as the liquidator thinks fit, but if any division is otherwise than in accordance with the legal rights of any contributories, the liquidator must obtain the sanction of a special resolution.

Directors

The Company's Constitution states that the minimum number of directors is three.

Powers of the Board

The Directors have the power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the ASX Listing Rules or the Company's Constitution.

ASX Listing

The Company's Shares are listed on ASX under the ASX Code: LCG but are currently suspended pending the successful change of business and completion of the Offers. Re-quotation of the Company Shares to trading on the remains subject ASX approval.

10.2 MATERIAL CONTRACTS

10.2.1 YAOPENG SHARE SUBSCRIPTION AGREEMENT

Yaopeng International Trade Pty Ltd (Yaopeng) has entered into a Share Subscription Agreement with the Company. The basic terms of the Share Subscription Agreement are:

1. Yaopeng agrees that coincident with the successful completion of the Offers it will:
   a. Subscribe for up to 9,750,000 New Shares at an issue price of A$0.20 each in satisfaction of up to A$1,950,000 owed by the Company to Yaopeng;
   b. Subscribe for 12,500,000 New Shares at an issue price of A$0.20 each to the total value of A$2,500,000 cash; and
   c. Meet any partial Underwriting obligation up to a maximum of 2,500,000 New Shares at an issue price of A$0.20 each for up to A$500,000 cash.
2. Yaopeng may instruct the Company to issue the New Shares to a nominee;
3. Yaopeng is obliged to enter an underwriting agreement with the Company in respect of the underwriting obligation at 1c above on normal commercial arm's length terms prior to the issue of the Prospectus (See Section 10.2.5 below for details on that agreement). The terms of the underwriting agreement will contain the normal reliefs from underwriting obligations that are typical in the industry and will be on no better terms than any other underwriting agreements between the Company and any other Underwriter to the Offers; and
4. The obligations to subscribe for New Shares is conditional on the Public Offer meeting its Minimum Subscription requirements and the Company meeting any other requirements, including those of ASX and ASIC, necessary for the issue of New Shares under the terms of the Prospectus.
5. The Company agrees to issue the New Shares detailed in item 1 above coincident with the issue of the other New Shares under the Offers.

6. Yaopeng provides certain undertakings such as acknowledging that the New Shares are issued pursuant to the Offers, that they have the authority to subscribe for the New Shares, that they understand the value of the New Shares and that they agree to the bound by the terms of the Company's Constitution upon receipt of the New Shares.

7. Yaopeng also agrees to suspend new interest charges on the debt owed by the Company to Yaopeng for up to three months from 1 December 2015 or until the Debt Shares are issued in satisfaction of the loans, whichever is sooner.

8. The agreement terminates on 29 February 2016 or in the event that the Offers are no longer able to proceed.

10.2.2 Agreement for the Approval to Transfer Debt

The Company has entered into an agreement with TFA and Yaopeng that gave permission for TFA to sell the debt which the Company owed to it, to Yaopeng. The basic terms of the Agreement for the Approval to Transfer Debt are:

1. The Company granted permission to transfer the debt.

2. The Company is not required to repay any of the loans or accrued interest while the Offers continue toward a successful conclusion.

3. Previous convertible notes held as part of the debt are redeemed and convert to further unsecured loans that will be repaid through the issue of the Debt Shares with the balance of the debt.

4. The applicable interest rate on all debt, except the convertible notes until redeemed, is 7.8% per annum from 1 April 2015.

10.2.3 Yaopeng Loan Agreements

The Company has entered a series of existing Loan Agreements with Yaopeng (including previous historical loan agreements with TFA that have been sold to Yaopeng as per Section 10.2.2 above). The Loan Agreements have been entered into on normal commercial arms-length terms. The loans have been consolidated by Yaopeng and they are providing further loan funds to meet the Company's financial obligations during the preparation of the Prospectus and the implementation of the Offers.

By the completion of the Offers, these loans and accrued interest will total approximately A$1,950,000 and this amount will be satisfied in full by the issue of the Debt Shares to Yaopeng. The basic terms of the various loan agreements have the same the key characteristics as follows:

1. The loan funding is all unsecured and interest is chargeable at 7.8% per annum.

2. If the Offers are prevented from proceeding to a successful conclusion with the issue of the New Shares, the loan funds must be repaid by the Company on various dates within six months.

Please note that if the issue of New Share did not proceed for any reason as contemplated in item 2 above, all Subscriptions Amounts received under the Offers would be returned to Applicants in full, in accordance with the terms of the Prospectus and the Corporations Act and could not be used by the Company for repayment of the loans.

10.2.4 SFP Acquisition Option Agreements

The first proposed property development project that the Company will pursue under its new business plan is the Zigong GuoFeng Farmers Market (**the Project**). The Project is wholly owned by a private Chinese company, Sichuan Fuchuang Property Co., Ltd. (**SFP**).

The Company has, through its wholly owned Chinese registered subsidiary Panaust (Chengdu) International Trade Co., Ltd. (**Panaust**) entered into two "Option to Purchase Agreements" (collectively referred to here as the **Option Agreements**) with the two shareholders of SFP (**the Vendors**) on a conditional 'call and put' basis to acquire in total 51% of the shares in SFP and, as a result, a controlling interest in the Project.

This call and put options are only conditional on the successful implementation of the Proposal (being signified by the satisfaction of the other conditions for the issue of New Shares under the Offers prior to re-quotation of the Company's shares on the ASX).

The expected ownership of SFP after the acquisition of the 51% of SFP is shown in Table 13 below.

TABLE 13 – Ownership Changes SFP

SFP Shareholding After Implementation of the Proposal	
Shareholder	% Shares Held
Jingda Song	49.0%
Panaust	51.0%
Total	100.0%

Please note that Jingda Song is not prevented from selling some or all of his shares in SFP to other parties if he chooses to do so at any time as would apply in similar circumstances in Australia and so the actual shareholding of SFP may differ from that shown in Table 16 in practice.

Under the terms of the Option Agreements, Panaust will acquire a total of 51% of the shares in SFP for 9,280,000 CNY (A$2,047,977) in cash. In addition to the 51% of the shares in SFP, Panaust will also secure a 4,800,000 CNY (A$1,059,299) receivable from SFP (a debt SFP will owe Panaust) as part of the total assets purchased for the consideration specified here. The receivable is unsecured and not interest bearing and would be repaid on successful construction and sale of the Project.

The two original shareholders of SFP are not related parties of Yaopeng, TFA or the Company.

Under the terms of the Option Agreements, the Panaust will pay an option fee upon exercise of the option that will be calculated at the equivalent of 7.2% per annum pro rata on the purchase price of A$2.05M for the time from execution of the Option Agreements on 16 October 2015 until exercise of the option upon satisfaction of the conditions specified above. Depending on the time taken to complete implementation of the Offer, the total option fees payable may be in the order of A$50,000.

There is a cash penalty of 20% of the consideration that applies to each party to the Option Agreements. In the event that a party fails to perform their responsibilities under the contract on time, the cash penalty must be paid. In the case of Panaust, this would occur if the purchase price is not paid on the settlement date. The settlement date will be the date upon which the conditions have been met and the New Shares are to be issued pursuant to the terms of the Prospectus. The Vendors must deliver the signed share transfer documents on the settlement date and work with Panaust (if necessary) to facilitate registration of the share transfers with the regulatory authorities within 5 days of settlement.

The option period under the Option Agreements is 150 days (ending on 14 March 2016), thereafter the option lapses if the conditions have not been met. The option also lapses in the event that the Company is placed under external administration for any reason.

During the option period, the Vendors are prohibited from certain actions in respect of SFP, such as issuing new shares, and must seek the Company's approval before entering into any material transactions involving SFP.

10.2.5 Partial Underwriting Agreement

Pursuant to a Partial Underwriting Agreement between Yaopeng and the Company dated 18 December 2015, Yaopeng (**Underwriter**) has agreed to underwrite 2,500,000 shares of the Public Offer (A$500,000) (**Partial Underwriting Amount**).

Under the Agreement, the Company is obliged to prepare and lodge a Prospectus that complies with the Corporations Act and the ASX Listing Rules, to apply for re-quotation of the Company's shares on ASX and do all things necessary to complete the Offers successfully.

The Company must keep the Offers open until the Closing Date unless the Public Offers are fully subscribed or Yaopeng otherwise agrees. The Company must notify Yaopeng of the shortfall, if any on the Public Offer within one Business Day of the Close and Yaopeng is obliged to subscribe for the shortfall up to the Partial Underwriting Amount within two Business Days of the shortfall notification. Yaopeng's consideration for acting as Underwriter in respect of the Partial Underwriting Amount is an opportunity to further increase its Shareholding in the Company and otherwise does not receive any fees commissions or other benefits for performing the role of Underwriter and will subscribe for New Shares on the same terms and conditions as other Applicants for New Shares.

Yaopeng has the right to nominate the party or parties to which the New Shares subscribed for under the Partial Underwriting Amount will be issued. The Company is not obliged to issue the New Shares to the nominated parties but to the extent that the Company rejects an issue of New Shares, Yaopeng is relieved of its underwriting obligation in respect to that number of New shares. The Company is not obliged to issue New Shares to any party that it would be illegal or inconsistent with the Company's Constitution or the terms of the Prospectus to do so.

Under the agreement, the Company makes certain warranties as to the completeness and accuracy of the information in the Prospectus and the Offers. Yaopeng is obliged to comply with the terms of the Prospectus and agrees to be bound by the Constitution of the Company in respect of any New Shares issued to it under the underwriting obligations.

Following is a list of the main key matters where a material change in circumstances will relieve Yaopeng of its underwriting obligations by allowing it to cancel the agreement. The list includes, but is not limited to:

- the All Ordinaries Index falling more than 10%;
- on a material change that occurs that would otherwise have required disclosure in the Prospectus;
- any director or officer of the Company dies or is charged with, or convicted of an indictable offense;
- any announcement by the Australian authorities of a change of official interest rates by more than 1%;
- any person who has previously consented to the Prospectus, withdraws their consent;
- a receiver or external manager is appointed over the Company;
- there is an outbreak of hostilities in certain jurisdictions including but not limited to Australia or China;
- the Company defaults on or is in breach of its obligations or warranties under the Agreement; and
- the Company's financial position materially changes.

Under any of these triggering events, Yaopeng, acting reasonably, may cancel the agreement.

The Company also provides the normal range of indemnities to Yaopeng about the Prospectus, the Offers and the actions of the Company's Directors and Officers. These indemnities do not extend to Yaopeng in the event of behaviour by its officers that breaches the Corporations Act or is otherwise unlawful.

10.2.6 Miscellaneous Loan & Creditor Agreements

Aside from the debt owed to Yaopeng as discussed in Sections 10.2.2 and 10.2.3, the Company has a series of existing liabilities owed to a number of individual parties that total approximately $1,085,000. As specified in Section 1.7, these liabilities will be paid out in cash upon completion of the Offers.

A substantial portion of this liability is owed to related parties (previous and existing directors and officers of the Company and associates of them) who have forgone payment in the past to assist the Company meet its cashflow obligations and these liabilities are not interest bearing. A further ~$270,000 of this debt is subject to penalty interest of varying amounts until repaid. These parties collectively (15 individual creditors) represent approximately A$1M of this liability and each has entered into a letter agreement with the Company by which they have agreed to await payment until the successful completion of the Offers. Approximately A$85,000 of this liability is held under unsecured loan agreements that are interest bearing at 10% and due for repayment on 28 February 2016.

10.2.7 Employment Contract – Brett Manning

Pursuant to an Employment Contract between Brett Manning and the Company dated 18 December 2015, the parties have agreed that Mr. Manning's employment is continued on a permanent full time basis for a further three years.

Mr. Manning's remuneration is A$200,000 per annum plus statutory superannuation. There are no other special benefits provided under the Employment Contract but Mr. Manning may participate in any future Employee Share Scheme that may be implemented by the Company. Mr. Manning is required to give 60 working days' notice upon resignation and is entitled to 60 working days' notice on termination by the Company in addition to normal redundancy and other entitlements, except in the event of termination for misconduct.

10.2.8 Employment Contract – Robert (Wei) Sun

Mr. Sun is appointed Managing Director of the Company.

Pursuant to an Employment Contract between Robert (Wei) Sun and the Company dated 18 December 2015, the parties have agreed that Mr. Sun will commence permanent full time employment with the Company commencing as of 18 December 2015 and continuing thereafter for a contract period of three years.

Mr. Sun's remuneration will be A$150,000 per annum plus statutory superannuation in year 1 of the contract and will then increase to A$180,000 per annum plus statutory superannuation for years 2 and 3 of the contract. There are no other special benefits provided under the Employment Contract but Mr. Sun may participate in any future Employee Share Scheme that may be implemented by the Company. Mr. Sun is required to give 60 working days' notice upon resignation and is entitled to 60 working days' notice on termination by the Company in addition to normal redundancy and other entitlements, except in the event of termination for misconduct.

10.2.9 Employment Contract – Daniel Bredenkamp

Pursuant to an Employment Contract between Daniel Bredenkamp and the Company dated 18 December 2015, the parties have agreed that Mr. Bredenkamp's employment as Chief Financial Officer and Company Secretary shall continue on a permanent part time basis for a period of a further 3 years. His anticipated commitment is 7.5 hours per fortnight but this will vary depending on work load requirements.

Mr. Bredenkamp's remuneration will be charged on an hourly basis for hours worked, at a rate of $97.43 per hour, plus statutory superannuation. There are no other special benefits provided under the Employment Contract but Mr. Bredenkamp may participate in any future Employee Share Scheme that may be implemented by the Company. Mr. Bredenkamp is required to give 6 working days' notice upon resignation and is entitled to 6 working days' notice on termination by the Company in addition to normal redundancy and other entitlements, except in the event of termination for misconduct. Notice is based on a full time equivalent of 60 working days adjusted on a part time basis in accordance with his expected average fortnightly commitment.

10.2.10 SFP Shareholder Agreement

On 17 December 2015, the Company's Chinese subsidiary Panaust entered into an SFP Shareholder Agreement with Mr Jingda Song (who will be the 49% minority shareholder of SFP), which is intended to facilitate the management and operation of SFP once the Company secure a 51% controlling interest. The agreements key terms are:

- SFP will have 5 directors. 3 will be appointed by Panaust and 2 by Mr. Jingda Song;
- Panaust will choose and appoint the Legal Representative of SFP (has the legal right to bind the company in China);
- Voting at Board Meetings will be proportional to the relative shareholding of the parties from time to time;
- Board Meetings will be held at least quarterly and preferably monthly;
- The Legal Representative may act on urgent matters;
- All parties shall have access to the books and records of SFP and the accounts shall be externally audited annually;
- Either party must disclosure if they intend to transfer any of their shares;
- SFP will produce quarterly financial reports (so that the Company can meet its report obligations to ASX);
- Certain decisions of the Board require unanimous agreement of the Shareholders, being decisions to:
    - commence or cease construction;
    - enter into financing or contracts in excess of 500,000 CNY (A$110,343);
    - seek external protection (equivalent to external administration);
    - change the Articles of Association of SFP;
    - issue any further shares of SFP;
    - grants security of SFP shares;
    - have shareholders to loan more money to SFP or invest more share capital; and
    - declare a dividend.

The agreement includes commitment from both shareholders (Panaust and Mr. Jingda Song) to loan further money to SFP as discussed in Section 3.2.4 and, if required at a later date, provision for decisions about further loans on the basis of the amounts being loaned are to be proportional to existing shareholdings from time to time.

10.3 Costs of the Offers

The costs of the Offers (exclusive of GST) are estimated in the following table.

TABLE 14 – Costs of the Offers

Item	Minimum Subscription	Full Subscription
Legal	A$18,000	A$18,000
Experts	A$57,000	A$57,000
Other Expenses	A$246,000	A$246,000
Commissions & Fees	A$71,250	A$75,000
Totals:	$A392,250	A$396,000

These cash expenses are estimates of the costs of the Offers and include the payment of experts, legal fees, advisor costs, broker fees, listing fees, prospectus preparation and other associated expenses. The majority of these costs, A$321,000, are being provided by Yaopeng as loan funding that will be converted to equity with the Debt Shares Offer at the same Share price as the other Offers. Only the commissions and fees will be paid out of the cash funds raised.

10.4 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or other Prescribed Person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any Prescribed Persons is or was associated with or has had, within two years before lodgement of the Prospectus with ASIC:

- Any interest in the formation or promotion of the Company; or any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers, or in the Offers; and
- No amounts have been paid or agreed to be paid and no benefits have been given for services rendered by such persons in connection with the formation or promotion of the Company or the Offers.

10.4.1 INDEPENDENT TECHNICAL SPECIALIST

China United Assets Appraisal Group (Australia) (CUAAGA) has prepared the Independent Technical Specialist's Report which forms part of this Prospectus. The total fees payable to CUAAGA for the Report are approximately A$46,500.

CUAAGA has performed no other services for the Company in the two years prior to the date of this Prospectus.

10.4.2 INDEPENDENT CHINESE SOLICITOR

Sichuan Renhou Law Firm (Renhou) has prepared the Independent Chinese Solicitor's Report which forms part of this Prospectus. The total fees payable to Renhou for the Report are approximately A$4,420 (20,000 CNY).

Renhou has performed no other services for the Company in the two years prior to the date of this Prospectus.

10.4.3 INVESTIGATING ACCOUNTANT

HLB Mann Judd (HLB) has prepared the Investigating Accountant's Report which forms part of this Prospectus. The total fees payable to HLB for the Report are approximately A$6,000.

HLB are the Company's external auditors and as such have received payment for audit services at their normal charge out rates during the two years prior to the date of this Prospectus for a total of A$59,250. HLB has not performed any other services for the Company in the two years prior to the date of this Prospectus.

10.4.4 COMPANY LAWYER

Mr. Jeremy Shervington is the Company's lawyer. Mr. Shervington has provided certain advice to the Company during the preparation of the Prospectus on legal matters related to the operations of the Company, the Prospectus and the Offers to the extent requested by the Company. Mr Shervington has not provided any advice or assistance in relation to the due-diligence process that the Company has undertaken in relation to the Prospectus and was not involved in the preparation of the description of the Material Contracts in this Prospectus. Fees are payable to Mr Shervington in relation to these matters are charged at this normal rates and will total approximately A$9,000.

As the Company's lawyer, Mr. Shervington has received payment at his normal rate during the two years prior to the Prospectus totalling A$20,790 for legal advice provided to the Company.

An entity associated with Mr. Shervington holds Shares in the Company.

10.4.5 ADVISORS AND BROKERS

As described in Section 1.4, the Company expects to engage the services of Advisors and/or brokers to advance the Offers. Payment for these services may be in the form of:

- Commissions based on a percentage of the money raised in the Public Offer;
- Fees for services rendered; and
- The issue of Advisor Shares in lieu of payment for services rendered and/or commissions.

All such payments will be to AFS Licensees only. The agreements will be negotiated on normal industry terms for the type of capital raising activities and the quantum of the services provided and will not be with related parties to the Company.

No specific parties had been identified at the date of this Prospectus. As the Company has not engaged any AFS Licensees in the two years prior to the date of this Prospectus, no party engaged for these purposes will have received any benefits from the Company in the last two years.

A pool of up to 750,000 Advisor Shares have been approved for issue by Shareholders at a General Meeting of the Company held on 30 November 2015. The Company may issue all, some or none of these Advisors Shares to Advisors, as it so determines, upon successful completion of the Offers.

The Company will also pay a 5% commission to AFS Licensees as described in as a minimum as described in Section 1.4 and may pay other commissions and fees. Collectively these remuneration methods are unlikely to exceed more total value than 10% of the total funds raised under the Public Offer.

10.5 Interests of the Directors

Other than as set out below or elsewhere in this Prospectus, no Director of the Company, and no firm in which the Director is a director has or has had, within two years before lodgement of the Prospectus with ASIC:

- Any interest in the formation or promotion of the Company; or any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers, or in the Offers; and
- No amounts have been paid or agreed to be paid and no benefits have been given to any Director or to any firm the Director is a director, either to induce him to become, or to qualify him as a director, or otherwise, for services rendered by him or by the firm, in connection with the formation or promotion of the Company or the Offers.

10.5.1 Directors' Fees

Mr. John Pettigrew receives directors' fees as detailed in Section 4.3 payable from his date of appointment to the Board.

As Mr. John Pettigrew was only recently appointed and directors' fees are paid quarterly in arrears, he has not yet received any payments from the Company and has not received any other payments from the Company in the two years prior to the date of this Prospectus.

10.5.2 Directors' Employment Contracts

Mr. Manning has entered into an Employment Contract with the Company as detailed in Section 10.2.7.

Under his employment with the Company, Mr. Manning has received a total of A$440,041 in salary and superannuation from the Company in the two years prior to the date of this Prospectus

Mr. Sun has entered into an Employment Contract with the Company as detailed in Section 10.2.8.

Mr. Sun has been a non-executive director of the Company during most of the two years prior to the date of this Prospectus but has deferred the payment of his directors' fees until the reconstruction of the company is complete and therefore has not received any directors' fees in the two years prior to the date of this Prospectus.

10.5.3 Directors' Share Holdings

Mr. Manning either holds or has an interest in 169,625 Shares in the Company. Mr. Manning's interests in the Shares are held directly by Mr. Manning, through his superfund and as trustee for family members.

Mr. Pettigrew and Mr. Sun do not currently hold any Shares in the Company.

10.5.4 Other Interests of Directors

Mr. Manning and Mr. Sun are both owed remuneration, which has been voluntarily deferred over the last two years to assist the Company through a difficult phase over the preceding two years of the Company's previous minerals exploration business. Other previous directors of the Company, who have retired recently to facilitate the Company's restructure, have also voluntarily deferred payments due to them over the last two years. Of the $1,085,000 planned to be paid out to existing creditors of the Company as specified in the Use of Funds in Section 1.7, close to half will be paid to directors or former directors of the Company. These liabilities will be paid out in cash, along with the payment of other creditors upon the successful completion of the Offers in order to clear all previous debts and prepare the Company for its new business in property development and infrastructure. The amounts due to directors for remuneration deferred are non-interest bearing liabilities.

The approximate amounts due to Mr. Manning and Mr. Sun to 30 September 2015 are:

Mr. Manning	A$45,985
Mr. Sun	A$76,300

10.6 Other Matters

10.6.1 Officers Indemnity and Insurance

The Company may enter into a deed with its officers, by which the Company agrees to indemnify the relevant officers and pay an insurance premium for appropriate insurance in this regard.

In accordance with Deeds of Access and Indemnity between each of the Directors and the Company, the Company must indemnify each officer of the Company to the extent permitted by the law, including the Directors, against all losses, costs, changes, and expenses incurred by the person as an officer of the Company. The Company is also required to maintain insurance against any liability incurred by the person as an officer of the Company or of a related body corporate including a liability for negligence and/or reasonable legal costs. Officers are granted access to the records of the Company under the Deeds of Access and Indemnity.

10.6.2 Directors' Fees

The shareholders of the Company approved total fees payable to non-executive Directors of $325,000 per annum at a General Meeting of the Company held on 11 October 2012.

The Board has resolved that the current Directors' fees are:

- Non-executive Directors - $43,800pa

This amount includes an allowance for statutory superannuation.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties.

Board members are not provided any additional remuneration in respect of any standing Board Committee memberships.

There are no termination or retirement benefits for non-executive Directors.

10.6.3 Litigation

To the knowledge of the Directors at the date of this Prospectus there is no litigation, threatened or actual, against the Company and the Company has not initiated any litigation action against any third party.

10.6.4 Dividend Policy

The payment of dividends by the Company is at the complete discretion of Directors.

In the first two years following completion of the Offers, the Directors anticipate significant expenditure on the Project and income returns in the form of dividends will only eventuate upon the commercial success of the Project. The Directors do not intend to pay dividends for the financial years ending 30 June 2016 and 30 June 2017 at this time. Depending on the available profits and the financial position of the Company, it is the current intention of the Board to consider paying annual dividends in the financial year ending after completion of the first project. The payment of dividends, among other considerations, will be a function of a number of factors including the general business environment, the operating results and financial condition of the Company, capital management requirements, future funding requirements, taxation implications and regulatory controls on the payment of dividends.

No assurances can be given by any person, including the Directors, about payment of any dividend.

No dividend reinvestment plan has been assumed to be activated by the Company during at least two years from the date of the Prospectus.

10.6.5 Restricted Securities

The ASX may, as a condition of granting the Company's application for quotation of its Shares upon the change in the nature and scale of its activities, classify certain Shares as Restricted Securities.

If so, prior to official quotation of the Company's Shares, the holders of the Restricted Securities will be required to enter into agreements with the Company not to do, or omit to do, any act which would have the effect of transferring the effective ownership and control of any Restricted Securities for a period determined by ASX without first obtaining the written consent of ASX. The Company's Share Registrar will be required to apply a holding lock on the Restricted Securities and not remove the holding lock without ASX's written consent.

10.6.6 Listing Rule Waivers

Listing Rule 10.13.3 relevantly provides that securities issued to 'persons in a position of influence' (such as a related party) pursuant to a shareholder approval must be issued no later than 1 month after the date of the meeting at which that approval is granted.

At a General Meeting of the Company held on 30 November 2015, Shareholders approved the issue of New Shares to Yaopeng (Yaopeng Placement Offer, Debt Shares Offer and the Partial Underwriting by Yaopeng). Yaopeng is a related party of the Company pursuant to the likely outcome of the Offers.

The Company has applied for and been granted a standard waiver from Listing Rule 10.13.3 to the extent necessary to allow the New Shares to be issued to Yaopeng under the Offers to be issued at the same time as the other Shares pursuant to the Prospectus.

10.6.7 Taxation Implications of the Offers for Investors

It is the responsibility of any potential Applicant to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers by contacting their own professional taxation advisers. Neither the Company nor any of its Directors can know the individual taxation implications of the Offers on a particular Applicant and therefore accepts no liability or responsibility in respect of the taxation consequences of the Offers on any Applicant.

10.6.8 Mineral Tenement Holdings

The Company holds some mineral tenements from its previous business in mineral exploration. Shareholders of the Company, at a General Meeting held on 30 November 2015 resolved that the Company should divest its mineral tenement holdings as it pursues its new business in property and infrastructure development. The value of these tenements in the Company's accounts were written down at 30 June 2015 to the like realisable price.

The main remaining package of tenements at Yogi in the Midwest of Western Australia are up for sale and the Company intends to divest all remaining tenements, including Yogi, through sale or surrender for the best achievable return over the next six months.

The currently remaining mineral tenements are Western Australian tenements: M59/637, M59/740, M59/525, P59/2028 and E77/2108.

10.6.9 Privacy

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth). The Company (and its share registry on behalf of the Company) may collect, hold and use that person information in order to assess your Application, service your needs as a Shareholder and provide facilities and services that you request and to administer the Company.

The Company will act in accordance with its Privacy Policy when dealing with personal information. Please refer to our website for details at www.lcg.properties.

10.6.10 Documents Available for Inspection

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. It is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price of its shares.

The following documents are available for inspection at the offices of the Company during business hours:

1. Copies of all documents lodged with ASX and/or ASIC as a disclosing entity;
2. The Constitution; and
3. The Material Contracts referred to in Section 10.2.

10.7 Consents

The following consents have been given in writing with respect to the issue of the Prospectus in both Hard Copy Prospectus format and in electronic form in accordance with the requirements of the Corporations Act.

China United Assets Appraisal Group (Australia) have given, and not before lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus as the Independent Technical Specialist and to the inclusion of the Independent Technical Specialist Report in this Prospectus in the form and context in which it is included, together with all reference to that report in this Prospectus. China United Assets Appraisal Group (Australia) has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than its report and any references to it.

Sichuan Renhou Law Firm have given, and not before lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus as the Independent Chinese Solicitor and to the inclusion of the Independent Chinese Solicitor's Report in this Prospectus in the form and context in which it is included, together with all reference to that report in this Prospectus. Sichuan Renhou Law Firm has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than its report and any references to it.

HLB Mann Judd have given, and not before lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus as the Company's Auditor and the Investigating Accountant and to the inclusion of the Investigating Account's Report and the Audited Annual Accounts of the Company (the reports) included in this Prospectus in the form and context in which they are included, together with all reference to the reports and HLB Mann Judd in this Prospectus. HLB Mann Judd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than its reports and any references to them.

Yaopeng International Trading Pty Ltd has given, and not before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named, together with any references to it in this Prospectus. Yaopeng International Trading Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to it.

TFA International Trading Pty Ltd has given, and not before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named, together with any references to it in this Prospectus. Yaopeng International Trading Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to it.

Jeremy Shervington has given, and not before lodgement of this Prospectus with ASIC, withdrawn his written consent to be named in this Prospectus as the Company's lawyer in this Prospectus in the form and context in which he is named, together with any references to him in this Prospectus. Jeremy Shervington has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to him.

Security Transfer Registrars Pty Ltd has given, and not before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named, together with any references to it in this Prospectus. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to it.

Daniel Bredenkamp has given, and not before lodgement of this Prospectus with ASIC, withdrawn his written consent to be named in this Prospectus in the form and context in which he is named, together with any references to him in this Prospectus. Daniel Bredenkamp has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to him.

Zigong MingChuan United Accounting Firm has given, and not before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named, together with any references to it in this Prospectus. Zigong MingChuan United Accounting Firm has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other any references to it.

11. DEFINITIONS

A$ means Australian Dollars, the official currency of the Commonwealth of Australia

Act or Corporations Act means the *Commonwealth Corporations Act 2001* as amended from time to time.

Advisor means a party, other than a related party of the Company, that holds an Australian Financial Services License and is engaged by the Company to assist in the raising of capital in accordance with the terms of the Prospectus.

Advisor Shares means the Offer made under the terms of this Prospectus for the issue of New Shares to an Advisor, or Advisors, in part satisfaction of services rendered to the Company.

Applicant means a person applying for New Shares under the terms of the Offers.

Application means a valid application for New Shares completed on an Application Form and lodged with the Company and accompanied by the appropriate Subscription Amount.

Application Form means forms attached to or accompanying this Prospectus to apply for New shares.

ASIC means the Australian Securities & Investments Commission.

Associate means the applicable corresponding meaning given by Division 2 of the Act.

ASX means ASX Limited or the financial market operated by ASX Limited, as the context requires.

Board means the board of Directors of the Company.

Business Day means Monday to Friday, except for public holidays in Western Australia.

CHESS means Clearing House Electronic Sub-register System.

Chinese Government means the Government of the PRC at various levels.

Closing Date means the last date for receipt of completed Application Forms for the Public Offer (including the Priority Offer), which is 5PM WST on 1 February 2016 or such as date as determined by the Directors.

Common Accumulation Fund means a percentage of profits set aside in the PRC for the Company to invest in its employees through training, incentives, welfare assistance or similar allied causes.

Company means *Living Cities Development Group Limited (ACN 074 009 091)*.

Constitution means the authorised Constitution of the Company registered with ASIC, as amended from time to time.

CNY means Chinese Yuan, the official currency of China.

Debt Shares means the Offer made under the terms of this Prospectus for the issue of New Shares Yaopeng in satisfaction of debt owed to it by the Company.

Director means a director of the Company as at the date of this Prospectus.

EIT means Enterprise Income Tax

EIT Law means the law relating to EIT in the PRC

Eligible Shareholder means the holders of Shares in the Company on the Record Date, as entered in the Company's share register, with an address in Australia or New Zealand but specifically excluding any related party of the Company.

Exchange Rate means a currency exchange rate of 4.5313 CNY to 1.0000 A$ used in this Prospectus.

Existing Shares means the 5,620,647 Shares in the capital of the Company on issue at the date of this Prospectus.

FIRB means the Australian Commonwealth Government Foreign Investment Review Board.

Full Subscription means the raising of A$3,000,000 by the issue of 15,000,000 New Shares under the Public Offer (including the Priority Offer) pursuant to this Prospectus.

ha means a metric hectare (not a Chinese hectare).

Hard Copy Prospectus means a paper version of the Prospectus.

Holding Statement means a bank statement style record of shareholding and movements.

Independent Chinese Solicitors Report means the report so named at Section 7 of this Prospectus that reviews certain legal matters in China.

Independent Technical Specialist Report or **ITSR** means the report so named at Section 5 of this Prospectus that reviews and reports on the Project.

Investigating Accountants Report means the report so named at Section 6 of this Prospectus that reviews the proforma accounts of the Company.

Issue Price means A$0.20 per Share.

km means Kilometres.

LCG means the ASX Code of the Company.

Listing Rules or **LR** means the official listing rules of ASX as amended from time to time.

Living Cities means Living Cities Development Group Limited (ACN: 074 009 091)

M means, in relation to money, million.

M means, in relation to mineral tenements, the prefix denoting a Mining Lease.

Minimum Subscription means the minimum raising of A$2,850,000 by the application for and of issue of 14,250,000 New Shares under the Public Offer (including the Priority Offer) pursuant to this Prospectus necessary for the issue of New Shares under the Offers to proceed.

New Shares means ordinary Shares of the Company issued pursuant to Offers made under this Prospectus.

Offer means the collective offers of New Shares under the terms of this Prospectus.

Online Prospectus means the electronic version of this Prospectus which can be viewed at www.lcg.properties

Opening Date means the first date for receipt of completed Application Forms for the Offer, which is 5 January 2016 or such other date as the directors decide.

pa means per annum.

Partial Underwriting Amount means A$500,000.00.

Person in this Prospectus means a natural person, company, trust or other entity that can validly hold securities in Australia.

PRC means the Peoples Republic of China

Prescribed Person means a person referred to in Section 711(4) of the Act.

Priority Offer means the Offer made under the terms of this Prospectus for the issue of New Shares to Eligible Shareholders included in the Public Offer.

Project means the proposed Zigong GuoFeng Farmers Market property development project.

Prospectus means this prospectus dated 22 December 2015.

Public Offer means the Offer made under the terms of this Prospectus for the issue of New Shares to the public and includes within it the Priority Offer of New Shares to Eligible Shareholders.

Record Date means 7 December 2015.

Related Party means a related party as defined in the Act as the context requires.

Share means an ordinary fully paid share of the Company.

Shareholder means a holder of Shares in the capital of the Company as entered in the share register.

Share Registrar means Security Transfer Registrars Pty Ltd

Shortfall Offer means the offer of Shortfall Shares under the terms of the Prospectus.

Shortfall Shares means in respect of the Public Offer (including the Priority Offer), New Shares available under the Public Offer that are not applied for and issued under the terms of this Prospectus, which are Shares otherwise available for issue under the terms of the Shortfall Offer.

SFP means the private company Sichuan Fuchuang Property Co., Ltd. registered in the Sichuan Province in China.

Subscription Amount means the amount of money payable for New Shares at A$0.20 each.

Substantial Shareholder means a Shareholder whose total number of Shares (including all Shares over which they have a relevant interest in accordance with Section 608 and 609 of the Act) is 5% or more of the total number of Shares on issue (i.e. 5% of the voting power).

Underwriter means, in relation to the Public Offer, Yaopeng.

TFA means *TFA International Pty. Ltd. (ACN: 143 155 560)*, including any related party or associates of it.

US$ or **USD** means dollars of the currency of the United States of America.

WST means Western Standard Time, being Perth local time in Australia.

Yaopeng means *Yaopeng International Trade Pty. Ltd. (ACN: 606 057 425)*, including any related party or associates of it.

Yaopeng Placement means the Offer made under the terms of this Prospectus for the issue of New Shares to Yaopeng.

Zigong GuoFeng Farmers Market means the proposed property development project of that name located in Zigong, Sichuan Province, China.

An Exchange Rate of 4.5313 CNY to 1.0000 A$ is used throughout this Prospectus for consistency.

12. DIRECTORS' AUTHORISATION

In the opinion of the Directors there have been no circumstances since 30 June 2015 (being the date of the last audited accounts of the Company, utilised in the preparation of the Proforma Statement of Financial Position in Sections 6 and 9) that have materially affected or will materially affect the value of the assets of the Company, except as disclosed in this Prospectus.

The Directors have made all reasonable enquiries and accordingly have reasonable grounds to believe that persons making statements were competent to make such statements, and those persons have given their consent to the statements being included in this Prospectus in the form and context in which they appear and have not withdrawn their consents before lodgement of this Prospectus with ASIC.

The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Brett Manning
Executive Chairman

22 December 2015

APPLICATION FORM

This Application Form relates to the Offers of New Shares in **Living Cities Development Group Limited** at 20 cents per Share pursuant to a **Prospectus dated 22 December 2015.** The expiry date of the Prospectus is a date 13 months after the date of the Prospectus. Potential Applicants are advised to read the Prospectus in its entirety before applying for New shares. Any person who gives another person this Application Form must do so with this Application Form in or accompanying the Prospectus. While the Prospectus is current, the Company will provide a copy of the Hard Copy Prospectus (and any applicable Supplementary Prospectus) upon request and free of charge.

Number of Shares applied for:	
Application Amount at 20c per Share:	$
Tick if the Applicant is an Eligible Shareholder under the Priority Offer?	

Broker Stamp

Title, Given Name, Surname - or - Company Name, ACN - or - Trustees

Joint Applicant 2 - or – Account Designation

Joint Applicant 3 – or - Further Holder Details (if required)

Unit / Floor / Number / Street

City / Town

State

Post Code

Country (if not Australia)

Daytime Contact No.

CHESS Details: PID

Tax File Number / Exemption

Contact Name

CHESS Details: HIN

Applicant 1: Signature

Applicant 2: Signature

Applicant 3: Signature

Payment by Cheque – Drawer	Bank	Branch	Amount

Date of EFT	EFT Payment Reference or Entity Name	Email Address

Declaration: By lodging this Application Form and the Subscription Amount this Applicant hereby:

1. Applies for the number of New Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
2. Agrees to be bound by the Constitution of the Company; and
3. Allows the Directors to complete or amend this Application Form where necessary to correct any errors of omissions.

INSTRUCTIONS

A. Enter the number of New Shares you wish to subscribe for. Applications must be for a minimum of 10,000 New shares and thereafter in multiples of 1,000 Shares.

B. Enter the Subscription Amount. To calculate this, multiply the number of New Shares applied for by the issue price per New Share.

C. If the Applicant was a Shareholder of the Company on 7 December 2015 with a registered address in Australia or New Zealand to the box to apply under the Priority Offer.

D. Enter the full name or names of all legal entities that are to be registered as holders. Note that only legal entities are allowed to hold securities. Application Forms must be in the name of either a natural person or persons or in a company name or in the name of other legal entities acceptable to the Company.

E. Enter the Postal Address that will be entered in the share register and to which correspondence from the Company will be sent.

F. Enter a daytime contact phone number to be contacted in case there are any questions about the Application.

G. Enter the name of the person who can be contacted at the phone number if there are any questions about the Application.

H. Enter the Tax File Number of the Applicant(s). This is not mandatory.

I. If you are CHESS sponsored, enter your Participant Identification Number (PID) and Holder Identification Number (HIN), otherwise leave these boxes blank and a Shareholder Reference Number (SRN) will be issued to you at the time of issue.

J. The Applicant (in the case of a natural person(s)) or the Applicants authorised signatory(s) should sign the form. Please note that an unsigned Application accompanies by the Subscription Amount is still a valid Application.

K. There are two options for the payment of the Subscription Amount with the Application. Complete the relevant row at the bottom of the Application Form for the method of payment you have chosen from the following two options:

   a. PAYMENT BY CHEQUE

   Cheques must be drawn on an Australian branch of a financial institution in Australian currency, made payable to:

   "Living Cities Development Group Limited – Share Issue Account" and crossed "Not Negotiable".

   Mail your completed Application Form with your cheque for the Subscription Amount to:

   Living Cities Development Group Limited
   Reply Paid 383
   BELMONT WA 6984

   Or

   Hand deliver your completed Application Form with your cheque for the Subscription Amount to:

   Living Cities Development Group Limited
   3 Camden Street
   BELMONT WA 6104

   b. PAYMENT BY ELECTRONIC FUNDS TRANSFER

   EFT the Subscription Amount to:

BSB:	066-000
Account Number:	11644118
Account Name:	Living Cities Development Group Limited – Share Issue Account

   Please make sure you **reference the Applicant's name** with your transfer of funds so the Company can reconcile your Application.

   You will also need to lodge your Application Form by email or facsimile to the Company in accordance with the instructions below:

   Email the scanned form to: info@lcg.properties

   Or

   Fax the Application Form to: 08 9277 5303.

L. Applications must be received by the Closing Date.

M. Please contact the Company if you have any questions with respect to the Application form.

N. If you have received an Application Form without a complete and unaltered copy of this Prospectus, please contact the Company and one will be sent to you, free of charge, either a printed or electronic version of this Prospectus (or both).

O. Only legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age.

CORRECT FORMS OF REGISTRABLE TITLE

The following provides examples of correct forms of registerable title.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr Fred Henry Smith <Fred Henry Smith A/C>	Fred Smith Family Trust
Super Funds	Fred Smith Pty Ltd <Super Fund A/C>	Fred Smith Superannuation Fund
Deceased Estates	Mr Fred Henry Smith <Est Fred Henry Smith A/C>	Fred Smith <Deceased>
Partnerships	Mr Fred Henry Smith and Mr Michael James Brown	Fred Smith & Son
Clubs/ Unincorporated Bodies	Mr Fred Henry Smith <XYZ Association A/C>	Smith Investment Club or XYZ Association