



仲量聯行

31 December 2018

The Board of Directors  
**Differ Group Holding Co., Ltd.**  
Room 1602, Euro Trade Centre  
13-14 Connaught Road Central  
Central, Hong Kong

Dear Sirs,

On 7 November 2018, Differ Cultural Tours Limited, (the “**Purchaser**”), an indirect wholly-owned subsidiary of Differ Group Holding Co., Ltd. (the “**Company**”), and Ms. Shi Hongjiao (施鴻嬌, the “**Vendor**”) entered into a conditional sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of Prime Thrive Investments Limited (the “**Target Company**”), at the total Consideration of RMB499,972,000 (equivalent to approximately HK\$568,150,000).

In accordance with your instructions to value the property interest held by Jingning Waishe Guzhen Travel Investment Development Limited (“**PRC Subsidiary B**”) in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 September 2018 (the “**valuation date**”).

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

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

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仲量聯行

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

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Rule 11 of the Takeovers Code issued by Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied, to a very considerable extent on the information given by PRC Subsidiary B and have accepted the legal opinion issued by the Company's PRC legal advisors given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the legal opinion issued by the Company's PRC legal advisors – Tian Yuan Law Firm, concerning the validity and title of the property interest in the PRC.

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

The site inspection was carried out in September 2018 by Mr. Stone Chen who is China Certified Real Estate Appraiser and has 10 years' experience in the real estate industry of the PRC, and Mr. Kevin Liu who has obtained Master degree in real estate and infra-structure and has 3 years' experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.





仲量聯行

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

As advised by the PRC Subsidiary B, potential taxes that will be incurred upon the disposal of the property interests of the PRC Subsidiary B include 10% of valued added tax for self-built property, land appreciation tax (30% to 60% of the appreciated amount), stamp duty (0.05% of the transaction amount), and income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales). As confirmed by the PRC Subsidiary B, the property is currently under construction and the PRC Subsidiary B has no intention to sell the property at present. Therefore, the possibility of the incurrence of such tax liabilities is negligible.

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

Our valuation certificate is attached.

Yours faithfully,  
For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

A handwritten signature in black ink, consisting of a large, stylized 'A' with a horizontal line extending to the right, positioned above the name 'Andrew Kam'.

**Andrew Kam**

*MBA MRICS MHKIS RPS(GP) CIREA  
National Director, Real Estate Service*

*Note:* Andrew Kam is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.



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## VALUATION CERTIFICATE

### Property interest held by PRC Subsidiary B in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2018 RMB
Phoenix Ancient Town located at Lot B1-04 of the northern side of Renmin North Road and the eastern side of Waishe Road Waishe Zone Jingning Town Lishui City Zhejiang Province The PRC (景寧鳳凰古鎮)	Phoenix Ancient Town is located at Lot B1-04 of the northern side of Renmin North Road and the eastern side of Waishe Road. The locality is a newly developed area where public facilities such as community center and public park are still under development as at the valuation date.	As at the valuation date, the property was under construction.	1,899,000,000

Phoenix Ancient Town occupies two parcels of land with a total site area of approximately 173,933.62 sq.m. The property was under construction as at the valuation date. As per our site inspection, the main structure of the property has been completed and the facade is being decorated.

As advised by PRC Subsidiary B, the property is scheduled to be completed in March 2019. Upon completion, the property will comprise a total gross floor area of approximately 311,585.30 sq.m. and the details are set out as below:

Usage	Planned Gross Floor Area (sq.m.)
Retail	190,979.10
Basement (inclusive of car parking spaces)	<u>120,606.20</u>
Total:	<u><u>311,585.30</u></u>

As advised by PRC Subsidiary B, the development cost (including the land cost) of the property is estimated to be RMB1,469,000,000, of which approximately RMB1,363,000,000 had been incurred up to the valuation date.

The land use rights of the property have been granted for a term expiring on 19 December 2053 for commercial use.



仲量聯行

*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 3311272013A21042 dated 20 December 2013, the land use rights of a parcel of land with a site area of approximately 246,601.11 sq.m. (including the land use rights of the property) were contracted to be granted to PRC Subsidiary B for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB140,000,000.
2. Pursuant to 2 Construction Land Planning Permits – Di Zi Di Nos. 331127201500096 and 331127201500097, permission towards the planning of the property with a site area of approximately 173,933.62 sq.m. has been granted to PRC Subsidiary B.
3. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Guo Yong (2015) Di Nos. 02118 and 02119, the land use rights of the property with a site area of approximately 173,933.62 sq.m. have been granted to PRC Subsidiary B for a term expiring on 19 December 2053 for commercial use.
4. Pursuant to 213 Real Estate Title Certificates – Zhe (2016) Jing Ning Xian Bu Dong Chan Quan Di Nos. 0000851 to 0000908, 0000912 to 0000918, 0000920 to 0000924, 0000927 to 0001062, 0001071 to 0001073 and Zhe (2017) Jing Ning Bu Dong Chan Quan Di Nos. 0002911 to 0002914, portions of Phoenix Ancient Town with a total gross floor area of approximately 47,028.60 sq.m. are owned by PRC Subsidiary B.
5. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 331127201500036 and 331127201500037 in favour of PRC Subsidiary B, the construction of the property with a gross floor area of approximately 253,510.84 sq.m. have been approved for construction.
6. Pursuant to 5 Construction Work Commencement Permits – Nos. 332529201406130101, 332529201407070101, 332529201407210101, 332529201407300101 and 332529201408040101 in favour of PRC Subsidiary B, permission by the relevant local authority was given to commence the construction of Phoenix Ancient Town with a total gross floor area of approximately 311,585.30 sq.m..
7. Pursuant to a Pre-sale Permit – Shou Xu Zi (2015) Di No. 007 in favour of PRC Subsidiary B, PRC Subsidiary B is entitled to sell portions of Phoenix Ancient Town (representing a total gross floor area of approximately 47,834.20 sq.m.) to the purchasers.
8. Pursuant to a Car Parking Space Repurchase Contract dated on 31 March 2015, the construction of the property with a total gross floor area of approximately 312,385.30 sq.m. has been approved. Permission by the relevant local authority was given to entitle PRC Subsidiary B to sell 862 parking spaces of Phoenix Ancient Town to Jingning She Nationality Autonomous County State-owned Asset Investment Management Ltd (景寧畚族自治縣國有資產投資經營有限公司), at a price range from RMB80,000,000 to RMB90,000,000.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,026,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality, which have similar characteristics as the subject property, such as nature, use, site area, layout and accessibility of the property. The selected comparables are retail units, and some newly completed or to-be-completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2018. The unit price of the comparables ranges from RMB10,000 to RMB15,000 per sq.m. basis for commercial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered.



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

- a. Pursuant to a Mortgage Contract – (ZJ) (Wei Zhai Di) Zi Di No.16028, portions of the land use rights and the building ownership rights of Phoenix Ancient Town are subject to a mortgage in favor of Bank of China, Zhejiang Branch for a consideration of RMB528,310,000 from 27 September 2016 to 31 December 2022.
- b. PRC Subsidiary B is legally and validly in possession of the land use rights of the property. PRC Subsidiary B has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property. Upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
- c. PRC Subsidiary B has obtained all requisite construction work approvals in respect of the actual development progress;
- d. PRC Subsidiary B has the rights to legally pre-sell the portions of the property mentioned in note 7 according to the obtained Pre-sale Permits; and
- e. only possessing portion of the Real Estate Title Certificate and Pre-sale Permits for now, as disclosed in note 12 below, does not affect the title of the Land. PRC Subsidiary B is the legal and effective owner of the land use rights of the Land.

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

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Real Estate Title Certificate	Portion
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table	N/A

\* *The property was under construction as at the valuation date. The "N/A" mentioned in h in note 12 stands for not available in current development stage of the property.*

As informed by the Company, as part of the Land has not yet reached the appropriate stage of the development, portion of the Real Estate Title Certificates and Pre-Sale Permits are yet to be obtained by PRC Subsidiary B and will not be obtained prior to completion of the acquisition pursuant to the conditional sale and purchase agreement entered into between the Purchaser and the Vendor on 7 November 2018.