THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Differ Group Holding Company Limited (the "Company"), you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ALL ISSUED SHARE CAPITAL OF DIFFER CULTURAL TOURISM DEVELOPMENT COMPANY LIMITED AND (II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISIONS OF FINANCIAL ASSISTANCE

Independent Financial Adviser

Euto 裕韜 Capital Partners

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7-32 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Euto Capital, the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-50 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at Unit 1102-3, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 12 January 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

This circular will be published on the websites of the Stock Exchange of Hong Kong at www.hkex.com.hk and that of the Company's website at www.dfh.cn.

23 December 2017

CONTENTS

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

"Acquisition"	the acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 21 November 2017 entered into between the Purchaser and the Vendor in respect of the Acquisition
"Announcement"	the announcement of the Company dated 21 November 2017 relating to the Acquisition
"Annual Caps 1"	the maximum guarantee amount, annual guarantee fee and consultancy fee payable by the Debtor 1 to the PRC Company D pursuant to the Guarantee Service Agreement 1
"Annual Caps 2"	the maximum guarantee amount, annual guarantee fee and consultancy fee payable by the Debtor 2 to the PRC Company D pursuant to the Guarantee Service Agreement 2
"associate"	has the meaning as ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"BVI Subsidiary"	Cultural Tours Limited (文旅有限公司), a limited liability company incorporated in the BVI with limited liability, which is directly owned by the Cayman Subsidiary
"Cayman Subsidiary"	Differ Cultural Tours Limited (鼎豐文化旅遊有限公司), a company incorporated in the Cayman Islands with limited liability, which is directly owned by the Target Company
"Company"	Differ Group Holding Company Limited (鼎豐集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock Code: 6878)

"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	within five (5) Business Days following the fulfilment of the condition in respect of the Agreement or such other date agreed by the parties to the Agreement in writing
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Consideration"	RMB375,000,000, being the consideration for the Acquisition payable by the Purchaser under the Agreement
"Consideration Share(s)"	the 84,000,000 new Shares to be allotted and issued by the Company to the Vendor or her nominee at the Issue Price for settling part of the Consideration pursuant to the Agreement
"Counter Indemnity"	the counter indemnity to be executed by the Vendor and Mr. Hong in respect of the counter guarantee provided by the Vendor and Mr. Hong to the PRC Subsidiary D in respect of the Existing Charge and the Existing Guarantee
"Debtor 1"	Dragon Holdings Company Limited* (龍之族控股有限公司), a company established in the PRC
"Debtor 2"	Jingning Outdoor Residence Tour Investment Development Company Limited* (景寧外舍古鎮旅遊投資發展有限公司), a company established in the PRC
"Debtors"	collectively, the Debtor 1 and the Debtor 2
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on 12 January 2018 for the purpose to consider and, if thought fit, approve the Acquisition, the provisions of Financial Assistance, the Specific Mandate and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, the Annual Caps 1, Annual Caps 2 and other ancillary matters as may be required under the Listing Rules
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Existing Charge"	the existing charge executed by the PRC Subsidiary D in respect of certain land held by the PRC Subsidiary D in favour of a commercial bank in the PRC as a security for the loan facility in the sum of RMB90 million granted by such bank to the Debtor 1

"Existing Guarantee"	the existing corporate guarantee executed by the PRC Subsidiary D in favour of a commercial bank in the PRC as a guarantee for the loan facility in the sum of RMB250 million granted by such bank to the Debtor 2
"Existing Guarantees"	collectively, the Existing Charge and Existing Guarantee
"Expert Corporate"	Expert Corporate Limited, a company incorporated in the BVI, the substantial shareholder of the Company, which is wholly-owned by Mr. Hong
"Financial Assistance"	collectively, the financial assistance provided by the PRC Subsidiary D to the Debtor 1 and Debtor 2 under the Existing Guarantees and the Guarantee Services to be provided under the Guarantee Services Agreements
"Group"	the Company and its subsidiaries
"Guarantee Service Agreement 1"	the guarantee service agreement to be executed by the Debtor 1 and the Purchaser (or other subsidiary of the Company) pursuant to the Agreement in respect of the Existing Charge
"Guarantee Service Agreement 2"	the guarantee service agreement to be executed by the Debtor 2 and the Purchaser (or other subsidiary of the Company) pursuant to the Agreement in respect of the Existing Guarantee
"Guarantee Service Agreements"	collectively, Guarantee Service Agreement 1 and Guarantee Service Agreement 2
"Guarantee Services"	guarantee services to be provided by the Purchaser (or other subsidiary of the Company) to the Debtor 1 and Debtor 2 pursuant to the respective Guarantee Service Agreements
"HK Subsidiary A"	Differ Cultural Tours Group Company Limited (鼎豐文旅集團有限公司), a limited liability company established in Hong Kong, which is wholly-owned by the BVI Subsidiary
"HK Subsidiary B"	Differ Property Services Company Limited (鼎豐物業服務有限公司), a limited liability company established in Hong Kong, which is wholly-owned by the BVI Subsidiary
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board consisting of all the independent non-executive Directors formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the provisions of the Financial Assistance

"Independent Financial Adviser" or "Euto Capital"	Euto Capital Partners Limited, a corporation licensed to carry out or Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than the Vendor, Mr. Hong, their respective associates and other parties who have interest in the Acquisition and/or the provisions of Financial Assistance, as the case may be
"Independent Third Party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Issue Price"	HK$0.582, being the issue price per Consideration Share
"Latest Practicable Date"	20 December 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2018 or such other date as the parties to the Agreement may agree in writing
"Main Board"	Main Board of the Stock Exchange
"Mr. Hong"	Mr. Hong Mingxian, the chairman, the executive Director and the substantial shareholder of the Company
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau and Taiwan
"PRC Subsidiary A"	Quzhou Differ Cultural Tours Development Limited* (衢州鼎豐文化旅遊開發有限公司), a limited liability company established in the PRC, which wholly-owned by the HK Subsidiary A
"PRC Subsidiary B"	Xiamen Differ Real Estate Management Limited* (廈門市鼎豐置業管理有限公司), a limited liability company established in the PRC, which is wholly-owned by the HK Subsidiary A
"PRC Subsidiary C"	Xiamen Differ Property Services Limited* (廈門市鼎豐物業服務有限公司), a limited liability company established in the PRC, which is wholly-owned by the HK Subsidiary B

"PRC Subsidiary D"	Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司), a limited liability company established in the PRC, which is owned by the PRC Subsidiary B as to 70%
"PRC Subsidiary E"	Lishui Fu Feng Cultural Tours Limited* (麗水市富豐文化旅遊有限公司), a limited liability company established in the PRC, which is owned by the PRC Subsidiary B as to 70%
"Purchaser"	Differ Asset Development Limited, a company incorporated in BVI with limited liability and a wholly owned subsidiary of the Company
"Retention Sum"	RMB90,000,000
"Sale Share"	one (1) issued share of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	the ordinary share(s) of par value of HK$0.0025 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be sought at the EGM for the approval of the allotment and issuance of 84,000,000 Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Target Company"	Differ Cultural Tourism Development Company Limited (鼎豐文旅發展有限公司), a company incorporated in the BVI with limited liability
"Target Group"	collectively, the Target Company, the Cayman Subsidiary, the BVI Subsidiary, the HK Subsidiary A, the HK Subsidiary B, the PRC Subsidiary A, the PRC Subsidiary B, the PRC Subsidiary C, the PRC Subsidiary D and the PRC Subsidiary E
"Valuer" or "Savills"	Savills Valuation and Professional Services Limited, an independent professional valuer engaged by the Purchaser
"Vendor"	Ms. Shi Hongjiao (施鴻嬌), a businesswoman and a resident of Hong Kong, spouse of Mr. Hong
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent
"sq.m."	square meter

* *In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

In this circular, translation of RMB into HK$ is based on the exchange rate of HK$1.00:RMB0.84. No representation is made that any amounts in RMB and HK$ can be or could have been converted at the above exchange rate or any other rates.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

Executive Directors:
Mr. HONG Mingxian *(Chairman)*
Mr. NG Chi Chung *(Chief executive officer)*
Mr. CAI Huatan

Non-executive Directors:
Mr. CAI Jianfeng
Mr. WU Qinghan

Independent non-executive Directors:
Mr. CHAN Sing Nun
Mr. LAM Kit Lam
Mr. ZENG Haisheng

Registered office:
Cricket Square
Hutchins Drive
PO Box 268
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and principal place of business in the PRC:
23rd Floor, Tower 11
166 Tapu East Road,
Xiamen,
the PRC

Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance:
Room 1602,
Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

23 December 2017

To the Shareholders and for information only,

Dear Sir/Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ALL ISSUED SHARE CAPITAL OF DIFFER CULTURAL TOURISM DEVELOPMENT COMPANY LIMITED AND (II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISIONS OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the Announcement in respect of the Acquisition and the provisions of Financial Assistance. The Acquisition constitutes a major and connected transaction and the provisions of Financial Assistance constitute continuing connected transactions of the Company under the Listing Rules.

On 21 November 2017 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the 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 the Target Company, at the Consideration of RMB375,000,000.

The PRC Subsidiary D had executed (a) the Existing Charge for the loan facility in the sum of RMB90 million granted by a commercial bank in the PRC to the Debtor 1 for the guarantee amount set out under the sub-paragraph headed "Guarantee Service Agreement 1" below under this section; and (b) the Existing Guarantee for the loan facility in the sum of RMB250 million granted by another commercial bank in the PRC to the Debtor 2 for the guarantee amount set out under the sub-paragraph headed "Guarantee Service Agreement 2" below under this section.

The Existing Charge and the Existing Guarantee will not be released upon Completion. As both Debtor 1 and Debtor 2 are the associates of Mr. Hong, they are connected persons of the Company. Therefore, upon Completion, the transactions contemplated under each of the Existing Charge and Existing Guarantee will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

For the benefit of the Company and being one of the conditions precedent for the Completion of the Agreement, the Company or its subsidiary will enter into the Guarantee Service Agreement 1 with the Debtor 1 and Guarantee Service Agreement 2 with the Debtor 2 upon Completion.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition and the provisions of Financial Assistance; (ii) details of the Specific Mandate, (iii) the recommendation of the Independent Board Committee; (iv) the advice of the Independent Financial Adviser; (v) a notice of the EGM; and (vi) a form of proxy.

(I) ACQUISITION

Set out below are the principal terms of the Agreement:

Date: 21 November 2017

Parties: (i) the Purchaser

(ii) the Vendor

As at the Latest Practicable Date, the Vendor is the spouse of Mr. Hong, who is the chairman, executive Director and the substantial shareholder of the Company. Therefore, the Vendor is an associate of Mr. Hong and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, 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 the Target Company.

As at the Latest Practicable Date,

(i) the Target Company directly holds all issued share capital of the Cayman Subsidiary;

(ii) the Cayman Subsidiary directly holds all issued share capital of the BVI Subsidiary;

(iii) the BVI Subsidiary directly holds all issued share capital of each of the HK Subsidiary A and HK Subsidiary B;

(iv) the HK Subsidiary A directly holds all equity interest in each of the PRC Subsidiary A and PRC Subsidiary B;

(v) the HK Subsidiary B directly holds all equity interest in each of the PRC Subsidiary C; and

(vi) the PRC Subsidiary B directly holds 70% equity interest in each of the PRC Subsidiary D and PRC Subsidiary E.

To the best knowledge of the Company, the respective shareholders holding the remaining 30% equity interest in PRC Subsidiary D and PRC Subsidiary E are Independent Third Parties.

As informed by the Vendor, the PRC Subsidiary D currently owns a property development named Differ Sky Realm (鼎豐天境), which is situate at Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, the PRC. Differ Sky Realm (鼎豐天境) is mainly a residential development with total site area of approximately 99,728.77 sq.m. and is under construction. Upon completion of construction, Differ Sky Realm (鼎豐天境) will have a total gross floor area of approximately 377,168.60 sq.m.

As further informed by the Vendor, the PRC Subsidiary E currently owns a property development named Chu Zhou Fu Cheng (處州府城), which is situate at northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, the PRC. Chu Zhou Fu Cheng (處州府城) is a commercial/cultural development with total site area of approximately 74,721.28 sq.m. and is under construction. Upon completion of its construction, Chu Zhou Fu Cheng (處州府城) will have a total gross floor area of approximately 94,510.50 sq. m.

Upon the Completion, (i) Target Company, Cayman Subsidiary, BVI Subsidiary, HK Subsidiary A, HK Subsidiary B, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company; whereas (ii) the PRC Subsidiary D and PRC Subsidiary E will become indirect non-wholly owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group.

Consideration

Pursuant to the Agreement, the total Consideration of RMB375,000,000 for the sale and purchase of the Sale Share shall be settled by the Purchaser in the following manners:

(i) RMB41,065,920 of the Consideration shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares each at the Issue Price to the Vendor or her nominee within five (5) Business Days after the (a) Completion Date; or (b) 30 December 2017, whichever is later;

(ii) the Purchaser to pay on behalf of the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group, to satisfy part or whole (in the sole and absolute discretion of the Purchaser) of the outstanding amount (the "**Outstanding Debts**") owed by the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group as at the Completion Date. The outstanding amount of Outstanding Debts of Debtor 1 and Debtor 2 as at the Latest Practicable Date are RMB129,549,000 and RMB1,422,000 respectively;

(iii) the Retention Sum shall be retained by the Purchaser on the Completion Date, and if the Existing Charge is not fully released within one year after the Completion Date, the Purchaser shall has the right at its own discretion to deduct such guarantee sum (the "**Guarantee Sum**") payable under the Existing Charge from the Retention Sum. If there is any remaining amount payable under the Existing Charge after deducting the Guarantee Sum from the Retention Sum, the Purchaser will return such remaining amount to the Vendor without interest; and

(iv) the remaining balance, if any, of the Consideration after deducting the amounts as stated in (i), (ii) and (iii) above from the total Consideration, to be settled in cash within two (2) years from the Completion Date.

The Outstanding Debts and the Guarantee Sum shall in no event exceed the balance (the "**Balance**") of the Consideration (i.e. the balance after deducting the item (i) above). If the Balance is insufficient to set off the aggregate of Outstanding Debts and the Guarantee Sum on the Completion Date, the Vendor shall immediately repay all such shortfall to the Group and/or release the Existing Charge. The Purchaser may, at its sole discretion, refund the balance of the Retention Sum to the Vendor (without interest) if the Purchaser is satisfied that the Existing Guarantee has been satisfactorily released and the relevant release documents have been received by the Purchaser (to the satisfaction of the Purchaser).

The Company intends to finance the cash consideration by internal resources of the Group.

Basis of the Consideration

The Consideration was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the unaudited adjusted consolidated net asset value of the Target Group (the "**Adjusted NAV**") as at 30 September 2017; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Agreement.

The Adjusted NAV of RMB375,090,000 represents an aggregated value of:

(i) the unaudited consolidated net asset value of the Target Group attributable to the Vendor as at 30 September 2017 in the amount of approximately RMB109,700,000; and

(ii) the proportionate interest of 70% of the revaluation surplus arising on the properties developments held by the Target Group namely, Differ Sky Realm (鼎豐天境) in the amount of approximately RMB265,390,000 with reference to the preliminary valuation of the market value of the said properties developments as at 30 September 2017 prepared by the Valuer.

The figure of RMB265,390,000 was derived first based on the valuation report as set out in Appendix V to this circular, which specifies that the market value of the said properties developments as at 30 September 2017 was RMB800,000,000. Then with reference to the total net book value of the said properties developments of RMB420,872,000, representing an aggregate of the properties under development of RMB379,469,000 and the properties held for development of RMB41,403,000, as at 30 September 2017 shown in the accountants' report on the Target Group, as set out in Appendix II to this circular. As the Target Group has 70% interest of the properties development, the figure is adjusted and then RMB265,390,000 is derived from the following equation:

(RMB800,000,000 – RMB420,872,000) x 70% = RMB265,390,000.

Consideration Shares

The Consideration Shares to be allotted and issued represent (i) approximately 1.98% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.94% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save as the issue of the Consideration Shares) on a fully diluted basis.

The Consideration Shares will be allotted and issued at the Issue Price, which represents:

(i) a premium of approximately 0.3% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the date of the Agreement; and

(ii) equal to the average closing price of HK$0.582 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the Issue Price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions precedent on or before the Long Stop Date:

(a) the Independent Shareholders have passed the resolutions approving the Agreement and the transactions contemplated thereunder and the Specific Mandate;

(b) the Independent Shareholders have passed the resolutions approving the provisions of Financial Assistance and the Annual Caps 1 and Annual Caps 2;

(c) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Consideration Shares;

(d) the Purchaser has completed the due diligence review (including but not limited to the assets, the land, debt, operation and business conditions of the Target Group) and the Purchaser is satisfied with the results of such due diligence review;

(e) the Purchaser has received (and satisfied with) the transfer documents showing that the Sale Share has been transferred from the Vendor to the Purchaser and/or its nominee and the same has been registered with the relevant government department of the BVI;

(f) every member of the Target Group has obtained approvals and permissions necessary for the Agreement and the transactions contemplated thereunder, including but not limited to the approvals by the board of directors and shareholders of the respective members of the Target Group;

(g) there is no substantial change in the present management of the Target Group or any action taken that leads to a material adverse impact on the business, assets, property, financial condition, operation and future aspects of the Target Group prior to and at the Completion and all warranties remain true and accurate as at the Completion Date;

(h) the Purchaser has received the legal opinion regarding the members of the Target Group which are established in the PRC (in a form and content satisfactory to the Purchaser);

(i) the Purchaser has received the valuation report in respect of the properties held by the Target Group prepared by the Valuer (in a form and content satisfactory to the Purchaser);

(j) the Debtor 1 and the Purchaser (or other subsidiary of the Company) have executed the Guarantee Service Agreement 1 in respect of the Existing Charge (in a form and content satisfactory to the Purchaser);

(k) the Debtor 2 and the Purchaser (or other subsidiary of the Company) have executed the Guarantee Service Agreement 2 in respect of the Existing Guarantee (in a form and content satisfactory to the Purchaser);

(l) the Vendor and Mr. Hong have entered into the Counter Indemnity in favour of the PRC Subsidiary D in respect of the Existing Charge and Existing Guarantee (in a form and content satisfactory to the Purchaser);

(m) the Target Group has received the amount payable as at the Completion Date to the Target Group by Dingfeng Commercial Management Company Limited (鼎豐商業管理有限公司) to the satisfaction of the Purchaser. As at the Latest Practicable Date, the outstanding amount owed to the Target Group is RMB74,740,000; and

(n) the Purchaser has received all other documents requested by the Purchaser to be supplied and/or executed by the Vendor or members of the Target Group.

Save and except conditions precedent (a), (b), (c), (d), (j), (k) and (l), all other conditions precedent may be waived by the Purchaser in writing at its discretion. Such waiver may be conditional waiver and subject to terms and conditions imposed by the Purchaser. The above conditions precedent (a), (b), (c), (d), (j), (k) and (l) shall not be waivable at all time.

If the above conditions have not been fulfilled by the Vendor or waived by the Purchaser, as the case may be, on or before the Long Stop Date, the Agreement shall lapse and the Vendor shall forthwith return to the Purchaser all monies, without interest, previously paid. Thereafter neither party shall be bound to proceed with the sale and purchase of the Sale Shares. No party shall be liable to the terms of the Agreement, save for any antecedent breaches of the terms of the Agreement.

As at the date of the Latest Practicable Date, the Company does not have any intention to waive the condition precedent (m). If condition precedent (m) is not met, the Company will elect not to complete.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Completion

The Completion shall take place within five (5) Business Days after the Purchaser is fully satisfied with (except those having been waived by the Purchaser) all the conditions precedent or such other day as the parties to the Agreement may agree in writing.

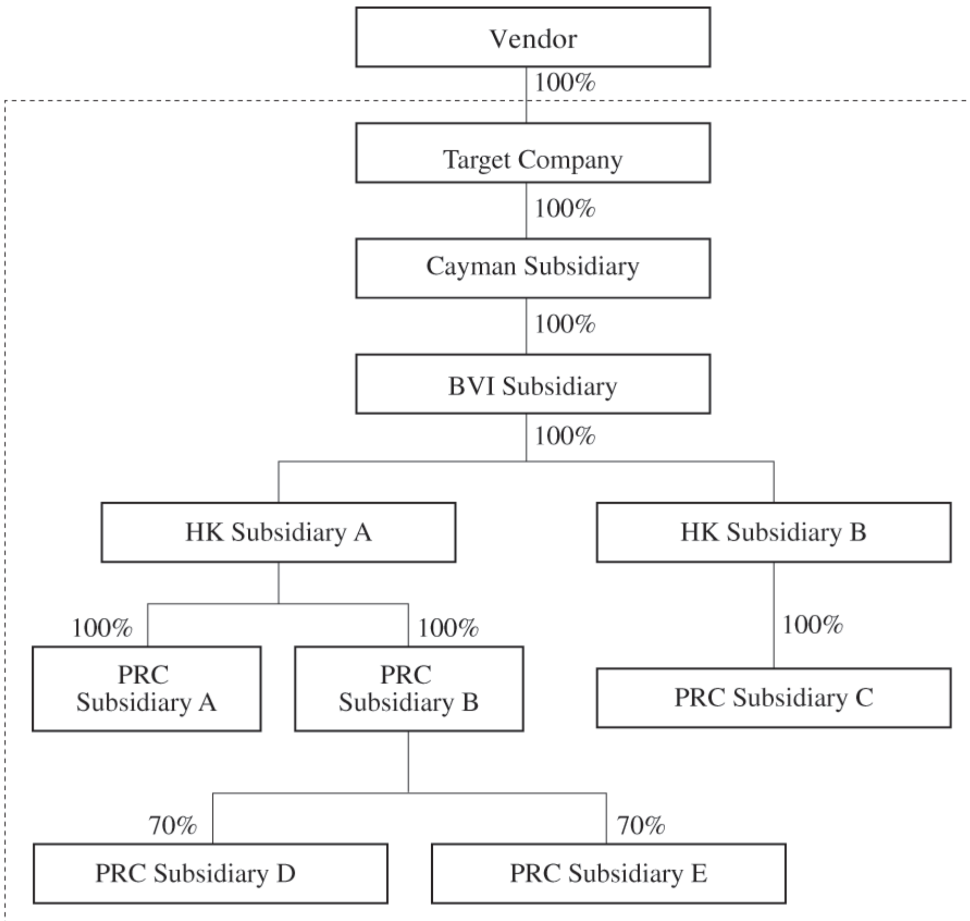
Upon the Completion, (i) Target Company, Cayman Subsidiary, BVI Subsidiary, HK Subsidiary A, HK Subsidiary B, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company; whereas (ii) the PRC Subsidiary D and PRC Subsidiary E will become indirect non-wholly owned subsidiaries of the Company as to 70%. The financial results of the Target Group will be consolidated into the financial results of the Group.

INFORMATION OF THE VENDOR

The Vendor is Ms. Shi Hongjiao (施鴻嬌), a businesswoman and a resident of Hong Kong, spouse of Mr. Hong.

INFORMATION OF THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group as at the Latest Practicable Date:



Note:

Target Group

Target Company

The Target Company is a limited liability company incorporated under the laws of the BVI on 15 May 2017. As advised by the Vendor, the principal business of the Target Company is investment holding. As at the Latest Practicable Date, the Target Company is directly wholly-owned by the Vendor.

Cayman Subsidiary

The Cayman Subsidiary is a limited liability company incorporated under the laws of the Cayman Islands on 8 April 2016. As advised by the Vendor, the principal business of the Cayman Subsidiary is investment holding. As at the Latest Practicable Date, the Cayman Subsidiary is directly wholly-owned by the Target Company.

BVI Subsidiary

The BVI Subsidiary is a limited liability company incorporated under the laws of the BVI on 1 November 2016. As advised by the Vendor, the principal business of the BVI Subsidiary is investment holding. As at the Latest Practicable Date, the BVI Subsidiary is directly wholly-owned by the Cayman Subsidiary.

HK Subsidiary A

The HK Subsidiary A is a limited liability company incorporated in Hong Kong on 17 November 2016. As advised by the Vendor, the principal business of the HK Subsidiary A is investment holding. As at the Latest Practicable Date, the HK Subsidiary A is directly wholly-owned by the BVI Subsidiary.

HK Subsidiary B

The HK Subsidiary B is a limited liability company incorporated in Hong Kong on 17 November 2016. As advised by the Vendor, the principal business of the HK Subsidiary B is investment holding. As at the Latest Practicable Date, the HK Subsidiary B is directly wholly-owned by the BVI Subsidiary.

PRC Subsidiary A

The PRC Subsidiary A is a limited liability company established in the PRC on 8 June 2017. As advised by the Vendor, the principal business of the PRC Subsidiary A is investment holding. As at the Latest Practicable Date, the PRC Subsidiary A is directly wholly-owned by the HK Subsidiary A.

PRC Subsidiary B

The PRC Subsidiary B is a limited liability company established in the PRC on 24 November 2016. As advised by the Vendor, the principal business of the PRC Subsidiary B is investment holding. As at the Latest Practicable Date, the PRC Subsidiary B is directly wholly-owned by the HK Subsidiary A.

PRC Subsidiary C

The PRC Subsidiary C is a limited liability company established in the PRC on 13 November 2014. As advised by the Vendor, the principal businesses of PRC Subsidiary C are provisions of property management and car park management services. As at the Latest Practicable Date, PRC Subsidiary C is directly wholly-owned by the HK Subsidiary B.

PRC Subsidiary D

The PRC Subsidiary D is a limited liability company established in the PRC on 10 June 2015. As advised by the Vendor, the principal businesses are the PRC Subsidiary D is (i) real estate development; (ii) real estate agency services; (iii) car park management; and (iv) property management. As at the Latest Practicable Date, the PRC Subsidiary D is owned as to 70% equity interest by the PRC Subsidiary B and 30% equity interest by an Independent Third Party.

As informed by the Vendor, the PRC Subsidiary D currently owns a property development named Differ Sky Realm (鼎豐天境). For more details of Differ Sky Realm (鼎豐天境), please refer to the sub-paragraph headed "(I) ACQUISITION – Assets to be acquired" in this letter.

PRC Subsidiary E

The PRC Subsidiary E is a limited liability company established in the PRC on 9 February 2015. As advised by the Vendor, the principal businesses of the PRC Subsidiary E are (i) tourism project development and investment; (ii) sales of tourism commodity; and (iii) cultural transmission. As at the Latest Practicable Date, the PRC Subsidiary E is owned as to 70% equity interest by the PRC Subsidiary B and 30% equity interest by an Independent Third Party.

As informed by the Vendor, the PRC Subsidiary E currently owns a property development named Chu Zhou Fu Cheng (處州府城). For more details of Chu Zhou Fu Cheng (處州府城), please refer to the sub-paragraph headed "(I) ACQUISITION – Assets to be acquired" in this letter.

Financial information of the Target Group

Set out below are the consolidated financial information of the Target Group, as extracted from its audited financial statements for the two years ended 31 December 2016 and for the nine months ended 30 September 2017:

	For the year ended 31 December 2015 *(RMB'000)* (Audited)	**For the year ended 31 December 2016** *(RMB'000)* (Audited)	**For the nine months ended 30 September 2017** *(RMB'000)* (Audited)
Revenue	–	–	–
Share of result of a joint venture	52,724	14,192	10,910
Profit before tax	51,003	5,200	20,814
Profit after tax	51,003	5,200	18,589

(a) Revenue

Since the Target Group is still at the stage of development since its date of establishment, it has yet to record any revenue during the Relevant Periods.

(b) Share of results of a joint venture

For the financial years ended 31 December 2015 and 2016, the share of result of a joint venture was amounted to approximately RMB52,724,000 and approximately RMB14,192,000 respectively. For the 9 months period ended 30 September 2017, the share of result of a joint venture was amounted to approximately RMB10,910,000. Share of result of a joint venture recognised during the Relevant Periods mainly represented the fair value gain on investment properties held by the joint venture situated in the PRC being net off with other operating expenses incurred from joint venture during the Relevant Periods.

As advised by the Vendor, prior to the date of signing of the sales and purchase agreement on 15 June 2017 between the PRC Subsidiary B and the original shareholder (the "**Sale and Purchase Agreement**"), the PRC Subsidiary E was owned as to 50% by the PRC Subsidiary B and the interest in the Target Company was accounted for as a joint venture of the Target Group using equity interest. Upon completion of the Sale and Purchase Agreement, 1% issued share capital of the PRC Subsidiary E was acquired by PRC Subsidiary B and the PRC Subsidiary E was accounted as to 51% owned by PRC Subsidiary B and has been accounted for as a subsidiary of the Target Group in which the financial results has been consolidated into the financial statements of the Target Group.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK$50,000,000 divided into 20,000,000,000 Shares of HK$0.0025 each and 4,236,009,880 fully paid up Shares were in issue.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Completion and the allotment and issuance of the Consideration Shares:

	(i) As at the Latest Practicable Date		**(ii) Immediately following the Completion and the allotment and issuance of the Consideration Shares**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Substantial Shareholders				
Expert Corporate *(Note 1)*	1,884,200,000	44.48	1,884,200,000	43.62
The Vendor or her nominee *(Note 2)*	–	–	84,000,000	1.94
Ever Ultimate Limited *(Note 3)*	1,115,800,000	26.34	1,115,800,000	25.83
Mr. Ng Chi Chung	12,098,000	0.29	12,098,000	0.28
Public Shareholders	1,223,911,880	28.89	1,223,911,880	28.33
Total:	**4,236,009,880**	**100.00**	**4,320,009,880**	**100.00**

Notes:

1. Expert Corporate is beneficially wholly-owned by Mr. Hong, the chairman, the executive Director and the substantial shareholder of the Company. Mr. Hong is therefore deemed to be interested in the Shares owned by Expert Corporate.

2. The Vendor is the spouse of Mr. Hong. The Vendor is therefore deemed to be interested in all the Shares owned by Mr. Hong.

3. Ever Ultimate Limited is beneficially wholly-owned by Mr. Ng Chi Chung. Mr. Ng Chi Chung is therefore deemed to be interested in the Shares owned by Ever Ultimate Limited.

THE SPECIFIC MANDATE

The Consideration Shares comprising 84,000,000 Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued following the Completion, will rank pari passu in all respects with the existing Shares in issue.

REASONS OF AND BENEFITS FOR THE ACQUISITION

The Group is a provider of short to medium-term financing and financing-related solutions in the PRC and Hong Kong and is principally engaged in the provisions of (i) financing guarantee services; (ii) express loan services; (iii) financial services; (iv) finance lease services; and (v) asset management business.

As disclosed in the annual report of the Company for 2016, the Group has been putting greater effort on expanding its business and is actively looking for the good quality assets which potentially offer better returns. The Board having considered the overview of the economy of the areas where the properties developments are located, the expertise of the management for the development of the properties, and the capital appreciation of the properties, believe that despite that the Target Group is currently at its development stage with short operating history, the properties will offer better returns. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) believe that the Acquisition is in the best interests of both the Group and the Shareholders as a whole as the Acquisition represents a strategic expansion of the Group in line with the Group's general business strategy.

a) Overview of the property development industry in Lishui

The Directors believe that as a result of the continual urbanisation, the overall demand for residential and commercial properties in the PRC has grown rapidly in recent years. As one of the prefecture level City in Zhejiang, Lishui witnessing strong market demands for both residential and commercial properties.

According to the data available on the official website of Lishui Municipal Commission of Housing and Urban-Rural Development* (麗水市住房和城鄉建設委員會), the total investment of commodity buildings (comprising buildings for residential, office and commercial and for other use) in Lishui during the period from January 2017 to October 2017 was approximately RMB16.98 billion, showing a growth of approximately 23.4% over the corresponding period, whereas in the year 2016 the corresponding growth rates was approximately 5.9% over the year 2015. On the other hand, the completed area of commodity buildings in Lishui during the period from January 2017 to October 2017 was approximately 264.40 million square meters, showing a growth of approximately 61.9% over the corresponding period, whereas in the year 2016, the corresponding growth rates was 6.6% over the year 2015.

In addition to the said data, the Board also considered the overall development of the economy of Lishui. In particular, the Board also considered the property price of the residential and commercial properties in Lishui. According to the data as published by China's Housing Price Platform* (中國房價行情網) (i.e. http://www.creprice.cn/market/ls/forsale/ALL/11.html) published by China Real Estate Association* (中國房地產業協會), an association monitored by the Construction Department of PRC* (中華人民共和國建設部), there was an upward trend on the average annual pricing of the residential properties price in Lishui – representing an increase of approximately 14.14% between the year of 2013 and 2017. Although the Board noted that there was a downward trend over the average annual pricing of the commercial properties in Lishui – representing a decrease of approximately 16.78% between the year of 2013 and 2017, the Board considers the increasing trend on the average annual pricing of the residential properties price in Lishui set off the respective downward trend of the commercial properties price for the corresponding period as the aggregate usage of the gross floor area of residential properties under the two property development projects, being the Differ Sky Realm (鼎豐天境) and the Chu Zhou Fu Cheng (處州府城), is approximately of 83.25% of the overall usage of the gross floor area.

In light of the above and coupled with the measures taken by the Directors as stated below, the Directors consider that there will be great development potential for the development of immovable properties in Lishui.

In assessing whether the Acquisition would offer an attractive return on investment to the Group, the Directors had carried out independent work done and obtained necessary information to enable the Board to reach an informed view on the nature of the assets of the Acquisition including, among other things:-

(i) obtained and reviewed the valuation of the property prepared by an independent valuer and the underlying valuation workings and assumptions;

(ii) explored and conducted site visits at the property and have been provided with copies of documents in relation to the title of the property interests;

(iii) obtained and reviewed the business plan of the Target Group in respect of the development plan taken by the management of the Target Group on the construction site under the two property development projects of Differ Sky Realm (鼎豐天境) and Cheng Chou Fu Cheng (處州府城) ;

(iv) obtaining legal advice on the title of the property;

(v) obtained and reviewed the cash flow forecast of the aforesaid two property development projects provided by the Vendor, assessed the calculation of the return on investment derived from the forecast, evaluated the reliability of the underlying data generated to prepare the forecast and determined whether there is adequate support for the assumptions underlying the forecast; and

(vi) considered the information, findings and recommendations made by the management of the Company regarding, among other things, the background for the Acquisition and of the Target Group, the basis of the major terms of the Acquisition, the future operations of the Enlarged Group upon Completion and so forth.

As at the Latest Practicable Date, the Target Group manages two major residential and commercial property projects, being the Differ Sky Realm (鼎豐天境) and the Chu Zhou Fu Cheng (處州府城), all of which were located in Lishui, the PRC. Both projects are scheduled to be completed in phases between 2018 and 2021. Upon completion of construction, the said property development projects comprise certain blocks of commercial buildings and residential apartment buildings. It is anticipated that the Acquisition would offer an attractive return on investment to the Group through sales/lease of properties under the two major residential and commercial property projects.

Before the completion of the Acquisition, the Company conducted investments in lands and properties by way as follows:

(i) Certain collaterals (mainly lands) were previously pledged by the debtor to the original creditor in securing certain debts. Such debts were eventually defaulted and the then original creditor sold the non-performing debts and the relevant collaterals to the Group at an agreed discounted consideration after legal action taken by the original creditor in order to meet its present and immediate cash needs. The enforcement of the pledge of the collateral and the disposal of the collateral are subject to the completion of all legal procedures.

(ii) The acquisition of a) lands and b) properties (which usually embedded with certain problems, such as late handover of the property by the property developer) at a comparatively prices below market value and the Group planned to resell such properties to third parties within one year. The Group did not involve of the property construction process.

As at the Latest Practicable Date, the Target Group planned, upon the completion of the Acquisition, to commence the sale of the fourth phrase of the property development Differ Sky Realm (鼎豐天境) in first quarter of 2018. Differ Sky Realm (鼎豐天境) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,728.77 sq. m. and a total gross floor area of approximately 377,168.60 sq. m. upon completion. The first phrase of the said development is expected to be completed by the second quarter of 2018. The Target Group also planned that the Chu Zhou Fu Cheng (處州府城) to be a development for commercial and cultural use. The said property is expected to be leased out for shops for a short-term (approximately 3 years) or a long term (approximately 20 years). The land use rights of two parcels of land of the said property with a total site area of 74,721.28 sq. m. (and total gross floor area of approximately 94,510.50 sq. m. upon completion) are of terms expiring on 29 October 2065 and 29 October 2055 for public management and public service use and commercial service use respectively.

The estimated total construction costs as at the Latest Practicable Date for Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城) are approximately RMB1,011,000,000 and RMB335,000,000 respectively. The said construction costs will continue to be financed internally and by the income received from the pre-sale of Differ Sky Realm (鼎豐天境) and rental income received from the said short and long term leases of Chu Zhou Fu Cheng (處州府城).

The Directors believe that upon Completion, the Company will be able to diversify its investment and leverage on the Target Group's experience in the property development industry. Further, the Directors believe that the Acquisition will generate cash flow through sales/lease of properties to the Group, which is essential to the future development of the Group. Therefore, the Directors believe that the acquisition of the Target Group will diversify the Group's investment and offer return to the Group.

b) Expertise of the management of the Target Group

As advised by the Vendor, Chu Zhou Fu Cheng (處州府城) and Differ Sky Realm (鼎豐天境) are currently managed by Mr. Huang Liuhui ("Mr. Huang"). Mr. Huang has more than 15 years of management experience in the real estate sector and property development industry in the PRC. Mr. Huang is the head of project development department and is primarily responsible for overseeing property development projects of various property development companies in the PRC during the period from the year 2002 to 2015. In August 2017, Mr. Huang joined the Target Group and has been acting as the president of the PRC Subsidiary B. He is responsible for overseeing the general operations of the PRC Subsidiary D and PRC Subsidiary E and the management of the development project of the Differ Sky Realm (鼎豐天境) and the Chu Zhou Fu Cheng (處州府城). His years of experience in the property market have enabled him to develop insights in the macro economic environment and the market trend which helps the Target Group identify opportunities in the marketplace. With a view to overseeing the overall strategic planning, execution and development of the Properties, and supervising the project management team of the Target Group, the Directors is of the view that the expertise and experience of Mr. Huang would be beneficial to the to the Group's business expansion into the property investment in the PRC.

Besides, the Target Group has a dedicated sales and management team and each of the management has delegated authority to facilitate effective segregation of duties and controls of the Target Group's business operation. Upon Completion, Mr. Huang and the existing sales and management team of the PRC Subsidiary D and PRC Subsidiary E indicates that they will continue to work for the Target Group, hence, The Company does not have to incur significant economic resources in building a new sales and management team for the property development business segment. As advised by the Vendor, the said sales and management team primarily consists of 5 senior management with more than 10 years relevant experience in the property acquisition, property development and management. The principal responsibilities of the members of the said team are as follows:

Position	Principal responsibilities
Vice President	responsible for the sales and marketing of the Target Group
General Manager of PRC Subsidiary D	responsible for the management of development projects
General Manager of PRC Subsidiary E	responsible for the management of development projects
Director of the quantity surveying division	responsible for the supervision of cost and quality of construction projects
Financial Manager	responsible for the financial and secretarial matters of the Target Group

Based on the above, the Board (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) is of the view that the terms of the Agreement, the Issue Price and the Consideration are fair and reasonable and on normal commercial terms and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Completion, (i) Target Company, Cayman Subsidiary, BVI Subsidiary, HK Subsidiary A, HK Subsidiary B, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company; whereas (ii) the PRC Subsidiary D and PRC Subsidiary E will become indirect non-wholly owned subsidiaries of the Company as to 70%.

Net Assets

Set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition assuming Completion had taken place on 30 June 2017. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 49.9% from approximately RMB1,927.3 million to approximately RMB2,888.9 million and its total liabilities would increase approximately 159.9% from approximately RMB700.4 million to approximately RMB1,820.4 million. As advised by the Vendor, the original acquisition costs of the Target Group is approximately RMB36,695,000. The Board noted that the Consideration represents 10.2 times of the original acquisition costs. However, the Board does not consider that is relevant, unfair and unreasonable because the Board has also considered a number of factors which are:

(i) the Consideration, as disclosed above, is not based on the net assets value of the Properties but instead the Adjusted NAV of the Target Group as at 30 September 2017;

(ii) the original acquisition costs are paid by the Vendor to her connected parties mainly for reorganisation purpose. Accordingly, it may not represent the fair value of the Properties.

(iii) the net assets value of the Target Group has increased sharply during the year of 2017 as shown in the Consolidated Statement of Financial Position, page II-6 of Appendix II of this circular.

Accordingly, the Board is of the view that the Consideration is fair and reasonable in the circumstances.

Earnings

According to the accountants' report on the Target Group as set out in Appendix II to this circular, the Target Group recorded a net profit attributable to owners of the company of approximately RMB19.4 million for the period from 1 January 2017 to 30 September 2017. The Acquisition would lead to an increase on the Group's earnings if the Acquisition were completed on 1 January 2017.

(II) PROVISIONS OF FINANCIAL ASSISTANCE

The PRC Subsidiary D had executed (a) the Existing Charge for the loan facility in the sum of RMB90 million granted by a commercial bank in the PRC to the Debtor 1 for the guarantee amount set out under the sub-paragraph headed "Guarantee Service Agreement 1" below under this section; and (b) the Existing Guarantee for the loan facility in the sum of RMB250 million granted by another commercial bank in the PRC to the Debtor 2 for the guarantee amount set out under the sub-paragraph headed "Guarantee Service Agreement 2" below under this section.

The Existing Charge and the Existing Guarantee will not be released upon Completion. As both Debtor 1 and Debtor 2 are the associates of Mr. Hong, they are connected persons of the Company. Therefore, upon Completion, the transactions contemplated under each of the Existing Charge and Existing Guarantee will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

For the benefit of the Company and being one of the conditions precedent for the Completion of the Agreement, the Company or its subsidiary will enter into the Guarantee Service Agreement 1 with the Debtor 1 and Guarantee Service Agreement 2 with the Debtor 2 upon Completion.

The key terms of the Guarantee Service Agreements will be as follows:

Guarantee Service Agreement 1

Guarantor	:	PRC Subsidiary D
Borrower	:	Debtor 1
Guarantee amount	:	RMB90 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	:	from the Completion Date to 31 May 2018
Security	:	the Retention Sum to be held by the Purchaser pursuant to the Agreement

The guarantee fee and consultancy fee will be settled in full by the Debtor 1 upon entering into the Guarantee Service Agreement 1. The guarantee fee and consultancy fee are determined based on and are in line with the historical average rates charged by the group to its customers for the provision of guarantee services during the year 2017.

Annual Caps 1 and basis of its determination

Set out below are the proposed Annual Caps 1 for the Guarantee Services under the Guarantee Service Agreement 1 for the following periods, assuming the Completion will take place on 1 December 2017:

	One month ending 31 December 2017 *(RMB'000)*	**Five months ending 31 May 2018** *(RMB'000)*
Annual Caps 1	90,233	91,163

The expected Annual Caps 1 for the one month ending 31 December 2017 and five months ending 31 May 2018, respectively, were arrived at by reference to the aggregate of the guarantee amount, guarantee fee and consultancy fee under the Guarantee Service Agreement 1.

Guarantee Service Agreement 2

Guarantor	:	PRC Subsidiary D
Borrower	:	Debtor 2
Guarantee amount	:	RMB250 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	:	from the Completion Date to 30 September 2022

The guarantee fee and consultancy fee will be settled in full by the Debtor 2 upon entering into the Guarantee Service Agreement 2. Similar to the basis adopted in determining the guarantee fee and consultancy fee for Guarantee Service Agreement 1, the said fees are determined based on and are in line with the historical average rates charged by the group to its customers for the provision of guarantee services in the ordinary course of business during the year 2017.

Annual Caps 2 and basis of its determination

Set out below are the proposed Annual Caps 2 for the Guarantee Services under Guarantee Service Agreement 2 for the following periods, assuming the Completion will take place on 1 December 2017:

	One month ending 31 December 2017	Year ending 31 December 2018	Year ending 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021	Nine months ending 30 September 2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Annual Caps 2	250,646	257,750	257,750	257,750	257,750	255,812

The expected Annual Caps 2 for the one month ending 31 December 2017, four years ending 31 December 2021 and nine months ending 30 September 2022, respectively, were arrived at by reference to the aggregate of the guarantee amount, guarantee fee and consultancy fee under the Guarantee Service Agreement 2.

INFORMATION OF THE DEBTORS

The Debtor 1 is Dragon Holdings Company Limited* (龍之族控股有限公司), a company established in the PRC. As informed by the Vendor, as at the Latest Practicable Date, it is principally engaged in trading of raw materials and is wholly and beneficial owned by Mr. Hong. As at the Latest Practicable Date, the outstanding amount owed to the Target Group by the Debtor 1 is RMB129,549,000.

The Debtor 2 is Jingning Outdoor Residence Tour Investment Development Company Limited* (景寧外舍古鎮旅遊投資發展有限公司), a company established in the PRC. As informed by the Vendor, as at the Latest Practicable Date, it is principally engaged in property development in PRC and is held as to 51% by Debtor 1. As at the Latest Practicable Date, the outstanding amount owed to the Target Group by the Debtor 2 is RMB1,422,000.

REASONS OF AND BENEFITS FOR THE PROVISIONS OF FINANCIAL ASSISTANCE

As one of the principal businesses of the Group is financing guarantee services, the provisions of Guarantee Services are in the ordinary and usual course of business of the Group. The terms of the Guarantee Service Agreements (including the guarantee amounts, the guarantee fees and the guarantee periods) will be negotiated on an arm's length basis between the Group and the Debtor 1 and the Debtor 2, respectively, based on, among other things, the financing needs requested by the respective Debtors, the security provided (in the case of the Guarantee Service Agreement 1), and the Group's assessment on the source of funds for repayment and the business conditions and creditworthiness of the Debtors. On the assumption that the Guarantee Service Agreements will be entered based on the key terms set out in this circular, the Directors are of the view that the Guarantee Service Agreements to be entered into are on normal commercial terms.

The durations of the Guarantee Service Agreement 2 exceed a period of three years because of the following reasons:

(i) the maturity date for the relevant loan for the Existing Guarantee is 28 September 2022; and

(ii) to ensure the PRC Subsidiary D will receive the guarantee fee and consultancy fee for the entire period of the Existing Guarantee.

Having considered our Group's operations, our Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) are of the view are within normal business practice for contracts of these types to be of such duration and to ensure sustainability of the business of the PRC Subsidiary D.

Taking into account that the guarantee fee and consultancy are expected to be generated as a result of the entering into of the Guarantee Service Agreements, the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the terms of the Guarantee Service Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In particular, concerning Guarantee Service Agreement 2, despite the fact that there is no security under the agreement and the Guarantee fee rate is the same with Guarantee Service Agreement 1, the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the terms of the Guarantee Service Agreement 2 are fair and reasonable as a property with valuation of approximately RMB528,310,000 has been pledged to the lender of the loan agreement entered into by Debtor 2 which will probably cover the loan of RMB250,000,000 in the event that the loan is defaulted. Further, the lender would take recourse against the pledged property before seeking relief from the Group. Therefore, to the best knowledge of the Board, the Board is of the view that the terms of the Guarantee Service Agreement 2 are fair and reasonable and that the risk brought by the said agreement is manageable.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) are in line with the opinion of the Independent Financial Adviser regarding the provisions of financial assistance.

In order to further protect the interest of the Company, and also as a conditions precedent for the Completion of the Agreement, the Vendor and Mr. Hong will execute the Counter Indemnity to counter indemnify the PRC Subsidiary D for all loss, liabilities and expenses which may be suffered or incurred by the PRC Subsidiary D under the Existing Charge and Existing Guarantee.

As (i) the Vendor and Mr. Hong are connected persons of the Company; and (ii) the PRC Subsidiary D will become a subsidiary of the Company upon Completion, the entering of the Counter Indemnity will be a provision of financial assistance by the Vendor and Mr. Hong to the PRC Subsidiary D, which will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

(I) Acquisition

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement, circular and the Shareholders' approval requirements under the Listing Rules.

As the Vendor is the spouse of Mr. Hong, the chairman, the executive Director and the substantial shareholder of the Company, the Vendor is an associate of Mr. Hong and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Acquisition exceeds 25% and the Consideration exceeds HK$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(II) Provisions of Financial Assistance

As (i) certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the aggregate guarantee amount under the Existing Guarantees and the Guarantee Service Agreements are more than 5% but less than 25%; and (ii) both the Debtor 1 and Debtor 2 are associates of Mr. Hong, hence the connected persons of the Company, the provisions of Financial Assistance, upon Completion, constitute continuing connected transactions of the Company.

As the applicable percentage ratio exceeds 5% and the guarantee amount under the Existing Guarantees together with the annual guarantee fee and consultancy fee payable under the Guarantee Service Agreements exceeds HK$10,000,000, the provisions of Financial Assistance constitute non-exempt continuing connected transactions of the Company and are subject to reporting, annual review, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As (i) the Vendor and Mr. Hong are connected persons of the Company; (ii) the PRC Subsidiary D will be a subsidiary of the Company upon Completion, the entering of the Counter Indemnity is a provision of financial assistance by the Vendor and Mr. Hong to the PRC Subsidiary D, which will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Counter Indemnity will be provided for the benefit of the PRC Subsidiary D on normal commercial terms or better and no security over the assets of the Group is granted in respect of the Counter Indemnity, the Counter Indemnity is exempted from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Mr. Hong and his associate, namely Expert Corporate, are interested in 1,884,200,000 Shares, representing approximately 44.48% of the total issued share capital of the Company. The Vendor, Mr. Hong, Expert Corporate and their respective associates are required to abstain from voting on the resolution(s) in respect of the Acquisition and the issue of the Consideration Shares, the provisions of Financial Assistance at the EGM. Furthermore, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Hong, no other Director has material interest in the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder, and as such, save as Mr. Hong, no other Director has abstained from voting on the Board resolution to approve the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder. Mr. Hong had abstained from voting on the Board resolution approving the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Sing Nun, Mr. LAM Kit Lam and Mr. Zeng Haisheng, has been formed. After taking into account the advice of the Independent Financial Adviser, the Independent Board Committee will advise the Independent Shareholders regarding the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder, and as to whether the Acquisition and the provisions of Financial Assistance is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Unit 1102-3, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 12 January 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As at the Latest Practicable Date, Mr. Hong and his associate, namely Expert Corporate, are interested in 1,884,200,000 Shares, representing approximately 44.48% of the total issued share capital of the Company. The Vendor, Mr. Hong, Expert Corporate and their respective associates are required to abstain from voting on the resolution(s) in respect of the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the EGM to demand for voting on poll in respect of the ordinary resolution to be proposed at the EGM in accordance with the memorandum of association and the articles of association of the Company and Tricor Investor Services Limited will serve as the scrutineer for the vote-taking.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of the circular. The Independent Board Committee, having taken into account the advice from Euto Capital, the text of which is set out on pages IFA-1 to IFA-50 of this circular, considers that the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder are upon normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the Acquisition, the provisions of Financial Assistance are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder.

Having considered the above-mentioned benefits to the Group and the advice of the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the provisions of Financial Assistance are on normal commercial terms and the issue of Consideration Shares under Specific Mandate are in the interests of the Company and the Shareholders as a whole and they are fair and reasonable to the Company. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder and the grant of the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages IBC-1 and IBC-2 of this circular; and (ii) the letter of advice from the Independent Financial Adviser set out on pages IFA-1 to IFA-50 of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder (including the grant of Specific Mandate to allot and issue of the Consideration Shares) and the principal factors considered by it in arriving at its recommendation.

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

By order of the Board
Differ Group Holding Company Limited
NG Chi Chung
Chief Executive Officer and executive Director

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

Independent non-executive Directors:
Mr. CHAN Sing Nun
Mr. LAM Kit Lam
Mr. ZENG Haisheng

Registered office:
Cricket Square
Hutchins Drive
PO Box 268
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and principal place of business in the PRC:
23rd Floor, Tower 11
166 Tapu East Road,
Xiamen,
the PRC

Principal place of business in Hong Kong registered under Part XI of the Companies Ordinance:
Room 1602,
Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

To the Independent Shareholders,

Dear Sir/Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ALL ISSUED SHARE CAPITAL OF DIFFER CULTURAL TOURISM DEVELOPMENT COMPANY LIMITED AND (II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PROVISIONS OF FINANCIAL ASSISTANCE

We refer to this circular ("Circular") dated 23 December 2017 issued by the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Euto Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Euto Capital Partners Limited; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder, and having taken into account the opinion of Euto Capital Partners Limited and, in particular, the factors, reasons and recommendations as set out in the letter from Euto Capital Partners Limited on pages IFA-1 to IFA-50 of the Circular, we consider that the terms of the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder is in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the EGM to approve the Acquisition, the provisions of Financial Assistance and the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares under the Specific Mandate and the grant of the Specific Mandate).

Yours faithfully,

CHAN Sing Nun	**LAM Kit Lam**	**ZENG Haisheng**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Euto 裕韜 Capital Partners

Euto Capital Partners Limited
Room 2418, Wing On Centre,
111 Connaught Road Central,
Hong Kong

T +852 3106 2393
F +852 3582 4722
www.eutocapital.com

23 December 2017

To the Independent Board Committee and the Shareholders of
Differ Group Holding Company Limited

Dear Sirs and Madams,

**(I) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF ALL ISSUED SHARE CAPITAL OF
DIFFER CULTURAL TOURISM DEVELOPMENT COMPANY LIMITED
AND
(II) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO PROVISIONS OF FINANCIAL ASSISTANCE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Acquisition and the provisions of Financial Assistance as contemplated under the Guarantee Service Agreements with their respective annual caps (the "**Transactions**"), particulars of which are set out in the section headed "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 23 December 2017 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

Reference is made to the announcement of the Company dated 21 November 2017.

1. The Acquisition

On 21 November 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the 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 the Target Company, at the Consideration of RMB375,000,000.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

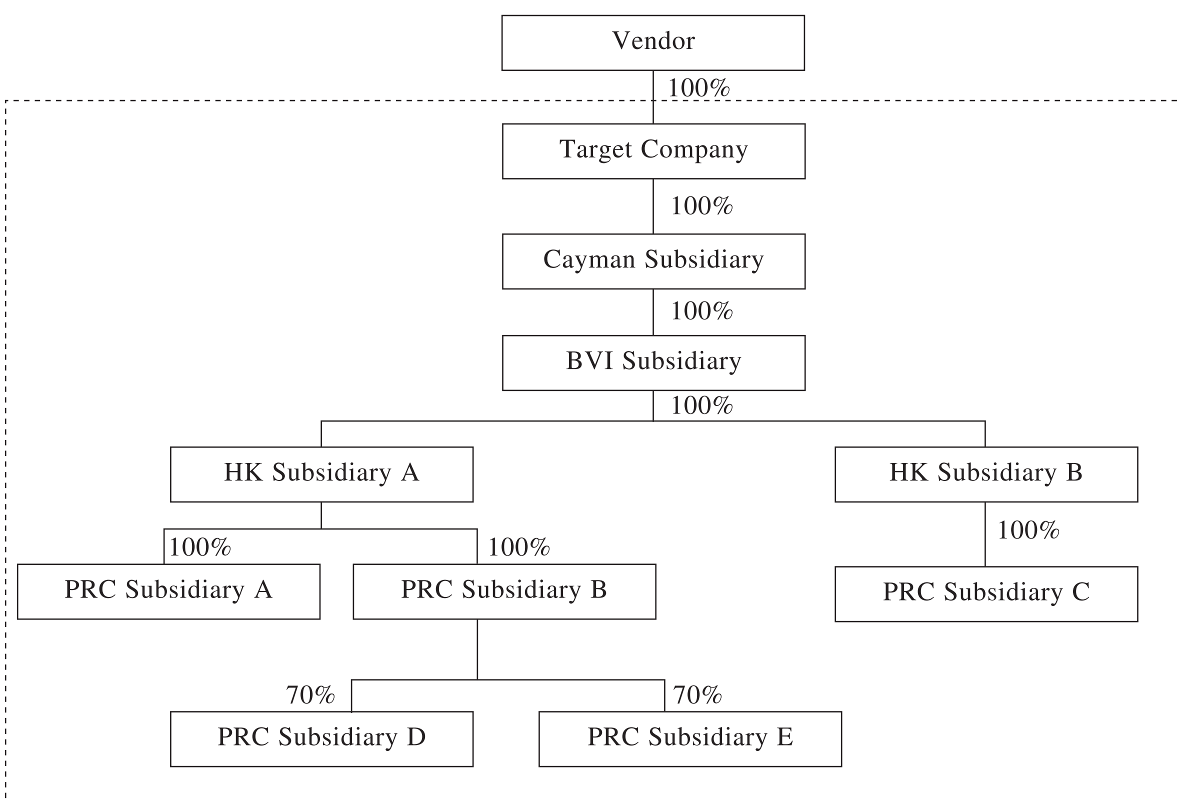
Listing Rules implication

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement, circular and the Shareholders' approval requirements under the Listing Rules.

As the Vendor is the spouse of Mr. Hong, the chairman, the executive Director and the substantial shareholder of the Company, the Vendor is an associate of Mr. Hong and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Acquisition exceeds 25% and the Consideration exceeds HK$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, announcement, Circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The following diagram illustrates the corporate structure of the Target Company as at the Latest Practicable Date.



Note:

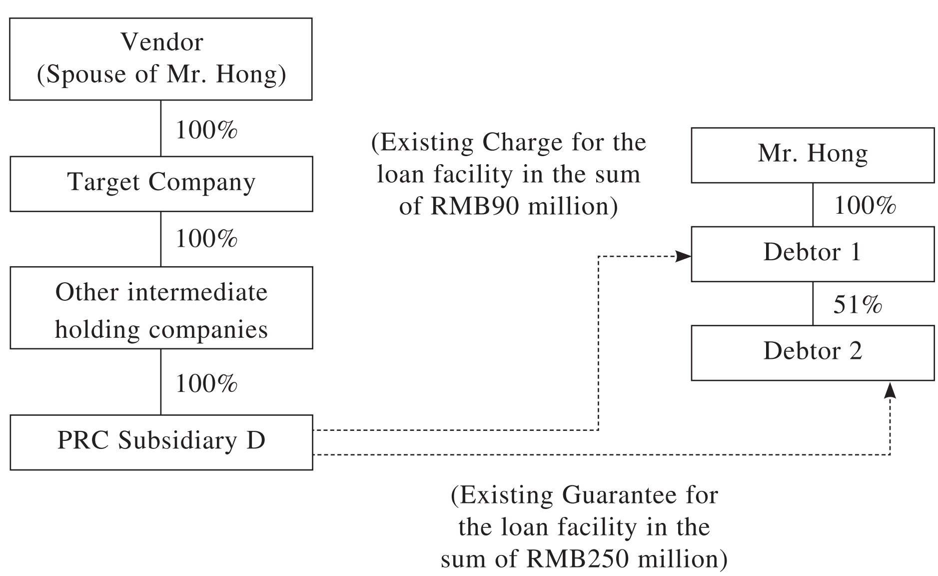
Target Group

2. Provisions of financial assistance and guarantee services

As at the Latest Practicable Date, the PRC Subsidiary D had executed (a) the Existing Charge as a security for the loan facility in the sum of RMB90 million granted by a commercial bank in the PRC to the Debtor 1, being a company established in the PRC and is wholly and beneficially owned by Mr. Hong, for the guarantee amount of RMB90 million (together with any interests, penalty interests, compensation and other related expenses owed to a local branch of a PRC commercial bank); and (b) the Existing Guarantee as a security for the loan facility in the sum of RMB250 million granted by another commercial bank in the PRC to the Debtor 2, for the guarantee amount of RMB250 million (together with any interests, penalty interests, compensation and other related expenses owed to a local branch of a PRC commercial bank), being a company established in the PRC and owned as to 51% by Debtor 1.

The Existing Charge and the Existing Guarantee will not be released upon Completion. As both Debtor 1 and Debtor 2 are the associates of Mr. Hong, they are connected persons of the Company. Therefore, upon Completion, the transactions contemplated under each of the Existing Charge and the Existing Guarantee will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The following diagram illustrates the Existing Charge and the Existing Guarantee that had executed by the PRC Subsidiary D as at the Latest Practicable Date:



For the benefit of the Company and being the conditions precedent for the Completion of the Agreement, upon the Completion, the Company or its subsidiary will enter into the Guarantee Service Agreement 1 with the Debtor 1 and Guarantee Service Agreement 2 with the Debtor 2, both at a guarantee fee rate and consultancy fee rate of 2.1% and 1.0% per annum of the respective guarantee amounts (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate).

In order to further protect the interest of the Company, and also as a condition precedent for the Completion of the Agreement, the Vendor and Mr. Hong will execute the Counter Indemnity to counter indemnify the PRC Subsidiary D for all loss, liabilities and expenses which may be suffered or incurred by the PRC Subsidiary D under the Existing Charge and Existing Guarantee.

Listing Rules implication

As (i) certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the aggregate guarantee amount under the Existing Guarantees and the Guarantee Service Agreements are more than 5% but less than 25%; and (ii) both the Debtor 1 and Debtor 2 are associates of Mr. Hong, hence the connected persons of the Company, the provisions of Financial Assistance, upon Completion, constitute continuing connected transactions of the Company.

As the applicable percentage ratio exceeds 5% and the guarantee amount under the Existing Guarantees together with the guarantee fee and consultancy fee payable under the Guarantee Service Agreements exceeds HK$10,000,000, the provisions of Financial Assistance constitute non-exempt continuing connected transactions of the Company and are subject to reporting, annual review, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As the Vendor and Mr. Hong are connected persons of the Company, the Counter Indemnity, which is a provision of financial assistance by the Vendor and Mr. Hong to the PRC Subsidiary D, which will be a subsidiary of the Company upon Completion, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Counter Indemnity will be provided for the benefit of the PRC Subsidiary D on normal commercial terms or better and no security over assets of the Group is granted in respect of the Counter Indemnity, the Counter Indemnity is exempted from the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Mr. Hong and his associate, namely Expert Corporate, are interested in 1,884,200,000 Shares, representing approximately 44.48% of the total issued share capital of the Company. The Vendor, Mr. Hong, Expert Corporate and their respective associates are required to abstain from voting on the resolution(s) in respect of the Acquisition and the issue of the Consideration Shares, the provisions of Financial Assistance at the EGM. Furthermore, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Hong, no other Director has material interest in the Acquisition, the provisions of Financial Assistance and the Transactions contemplated thereunder, and as such, save as Mr. Hong, no other Director has abstained from voting on the Board resolution to approve the Agreement and the Transactions contemplated thereunder. Mr. Hong had abstained from voting on the Board resolution approving the Acquisition, the provisions of Financial Assistance and the Transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Chan Sing Nun, Mr. Lam Kit Lam and Mr. Zeng Haisheng, has been established to (i) advise the Independent Shareholders as to whether the terms of the Transactions contemplated under the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion as to whether the terms of the Agreement, and the Transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole, being fair and reasonable so far as the Shareholders are concerned.

OUR INDEPENDENCE

We, Euto Capital Partners Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Manfred Shiu is the person signing off the opinion stated in this letter contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009 and has participated in and completed various independent financial advisory transactions in Hong Kong. As at the Latest Practicable Date, we were not aware of any relationships or interest between Euto Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Euto Capital's independence as defined under Rule 13.80 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transactions. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. During the past two years, we have been appointed as the independent financial adviser to the Company regarding the discloseable and connected transaction in relation to the equity transfer agreement entered into between Ganzhou Wen Ding Business Consulting Company Limited and Fujian Venture Capital Company Limited, of which the circular was dated 30 November 2016. The professional fees in connections with the appointment have been fully settled and we are not aware of or change in any circumstance that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms of the Agreement and the Transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Shareholders in relation to the Transactions, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Shareholders solely in connection with their consideration of the terms of the Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

A. THE ACQUISITION

PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our opinion and recommendation to the Acquisition, we have taken into account the following principal factors:

I. Background of the Acquisition

(i) Information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability on 4 December 2012 and it's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(a) Principal business of the Group

The Group is a provider of short to medium-term financing and financing-related solutions in the PRC and Hong Kong and is principally engaged in the provision of (i) financing guarantee services; (ii) express loan services; (iii) financial services; (iv) finance lease services; and (v) asset management business.

(b) Financial information of the Group

Set out below is the financial information of the Group as extracted from the annual reports of the Company for the three years ended 31 December 2016 (the "**2016 Annual Report**") and the interim report of the Company for the six months period ended 30 June 2017 (the "**2017 Interim Report**"):

Table 1: Summary of the consolidated financial performance of the Group

	For the year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
Interest income from express loan services:					
– Pawn loans	14,814	13,970	7,669	7,669	–
– Entrusted loans	39,087	50,488	73,710	40,068	21,036
– Money lending	–	2,866	26,597	6,399	13,401
Consultancy service income	37,163	56,760	42,633	15,512	31,781
Income from guarantee services	15,741	16,561	9,646	6,007	3,018
Income from finance lease services	11,286	21,505	41,404	22,792	30,839
Income from asset management business	–	21,000	93,209	34,433	51,918
Total revenue	**118,091**	**183,150**	**294,868**	**132,880**	**151,993**
Profit attributable to the owners of the Company	**73,013**	**103,788**	**135,509**	**71,155**	**73,584**

For the year ended 31 December 2016

As set out in the above table, the revenue of the Group for the year ended 31 December 2016 increased by approximately RMB111.7 million or 61.0% to approximately RMB294.9 million, as compared with approximately RMB183.2 million for the corresponding year. As disclosed in the 2016 Annual Report, such increase in revenue was mainly attributable to an increase of revenue generated from (i) financial related services from approximately RMB162.2 million in the year 2015 to approximately RMB201.7 million in the year 2016; and (ii) assets management business from approximately RMB21.0 million in the year 2015 to approximately RMB93.2 million the year 2016.

Income generated from financial related services

As advised by the Management, the increase in revenue generated from financial related services was mainly attributable to the followings:–

1. entrusted loan service income increased sharply by 46.0% from approximately RMB50.5 million for the year ended 31 December 2015 to RMB73.7 million for the year ended 31 December 2016. Although the outstanding entrusted loan receivables decreased from RMB371.8 million as at 31 December 2015 to RMB366.4 million as at 31 December 2016, the increase of entrusted loan service income was mainly due to the increase of average entrusted loan receivables during the year; and

2. the Group commenced its Hong Kong money lending business in second half of 2015 and continued to expand the business in 2016. Income from Hong Kong money lending business increased sharply by 252.9% from approximately RMB2.0 million for the year ended 31 December 2015 to RMB7.0 million for the year ended 31 December 2016. In addition, due to the strong demand for financing from small and medium enterprises, the Group has provided more short-term financing to customers in the PRC and recorded the interest income of approximately RMB19.6 million for the year ended 31 December 2016 as compared with only approximately RMB0.9 million for the corresponding period in last year.

Income generated from asset management business

As advised by the Management, the increase in revenue generated from asset management business was mainly due to the fact that the Group has disposed four investment properties during the year ended 31 December 2016 as compared with only two investment properties has been disposed for the corresponding period in 2015. Besides, during the year ended 31 December 2016, the Group acquired a number of properties and non-performing debts and certain of them have been disposed/executed and the Group recorded the income from such disposal of properties and non-performing loan of RMB52.23 million and RMB40.98 million respectively during the year.

Further set out in the above table, the profit for the year was approximately RMB142.39 million for the year ended 31 December 2016, representing an increase of approximately 34.94% as compared to that of the year ended 31 December 2015. As disclosed in the 2016 Annual Report, the increase in the profit was mainly due to the remarkable growth of income generated from the asset management, financial lease and money lending businesses as set out in table 1 above.

For the six months period ended 30 June 2017

As set out in the above table, the revenue of the Group for the 6 months period ended 30 June 2017 was increased by approximately RMB19.1 million or 14.4% to approximately RMB152.0 million, as compared with approximately RMB132.9 million for the corresponding year. As disclosed in the 2017 Interim Report, such increase was mainly due to the increase in revenue generated from assets management services business which was increased by 50.8% from approximately RMB34.4 million for the six months ended 30 June 2016 to RMB51.9 million for the six months ended 30 June 2017. Although the Group has not disposed any property during the six months ended 30 June 2017 as compared with two properties has been disposed for the corresponding period in 2016, the increased income was mainly due to the fact that (i) more obligors of non-performing loans have settled the debts according to the terms as set out in the relevant contracts and the Group has recorded finance income of approximately RMB43.2 million; and (ii) the Group received dividend income of approximately RMB8.7 million from its equity investments.

Further set out in the above table, the profit for the period was approximately RMB80.02 million for the 6 months period ended 30 June 2017, representing an increase of approximately 6.33% as compared to that for the year ended 30 June 2016. As disclosed in the 2017 Interim Report, the increase in profit for the year was mainly due to the increase in income generated from assets management services.

Table 2: Summary of the consolidated financial position of the Group

	As at 31 December		**As at 30 June**
	2015	**2016**	**2017**
	(Audited)	*(Audited)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	438,246	549,703	541,701
Current assets	1,138,439	1,291,287	1,385,559
Total assets	**1,576,685**	**1,840,990**	**1,927,260**
Current liabilities	249,771	423,532	406,090
Non-current liabilities	329,075	278,265	294,265
Total liabilities	**578,846**	**701,797**	**700,355**
Net current assets	**888,668**	**867,755**	**979,469**
Equity attributable to owners of the Company	**901,793**	**1,028,798**	**1,100,070**

As at 30 June 2017

As set out in the above table, as at 30 June 2017, non-current assets and current assets of the Group are amounted to approximately RMB329,562,000 and RMB1,086,549,000 respectively. Set out below is the breakdown of the non-current assets and current assets of the Group as at 30 June 2017 and 2016.

	As at 30 June 2017	**As at 31 December 2016**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Non-current assets		
Finance lease receivables	306,329	352,690
Loan receivables	–	11,440
Distressed assets classified as receivables	23,233	28,565
	329,562	**392,695**
Current assets		
Distressed assets classified as receivables	19,969	6,240
Entrusted loan receivables	463,500	366,350
Finance lease receivables	315,544	238,173
Loan receivables	202,952	154,717
Receivables from guarantee customers	52,878	48,498
Account receivables	31,706	98,883
	1,086,549	912,861

As shown in the above table, there was a decrease in the amount of finance lease receivables from approximately RMB352,690,000 as at 31 December 2016 to RMB306,329,000 as at 30 June 2017, representing a decrease of approximately 16.08%. As advised by the Management, such decrease was mainly due to the reallocation of finance lease receivables from non-current assets to current assets that is able to settle within 1 year according to the terms set out in the relevant contracts. We further note that the maturity date for each loan contract is ranging from one to ten years.

For the current assets, there was an increase from approximately RMB912,861,000 as at 31 December 2016 to RMB1,086,549,000 as at 30 June 2017, representing an increase of approximately 19.23%. As noted in the above table, such increase was mainly attributable to the increase of (i) entrusted receivables from approximately RMB366,350,000 as at 31 December 2016 to approximately RMB463,500,000 as at 30 June 2017 and (ii) loan receivables from approximately RMB154,717,000 as at 31 December 2016 to approximately RMB202,952,000 as at 30 June 2017. As advised by the Management, such increase was mainly due to the increase in loan portfolio during the year. We further understand that the amount of entrusted loan receivables represented loans from the Group to customers through banks in the PRC. In an entrusted loan arrangement, the bank entered into loan agreements with the customers. The customers repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. The maturity date for each loan contract is normally not more than 360 days. Further, the loan receivables represents the loan from the Group directly to customers and the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 2 years.

As set out in the above table, as at 30 June 2017, non-current liabilities and current liabilities of the Group are amounted to approximately RMB294,265,000 and RMB406,090,000 respectively. Set out below is the breakdown of the non-current liabilities and current liabilities of the Group as at 30 June 2017 and 2016.

	As at 30 June 2017 *(Unaudited)* *RMB'000*	**As at 31 December 2016** *(Audited)* *RMB'000*
Non-current assets		
Deposits received and deferred income	33,215	61,714
Bank borrowings	90,638	121,335
Corporate bonds	170,412	95,216
	294,265	**278,265**
Current liabilities		
Accruals, other payables, deposits received and deferred income	129,812	89,508
Provision for taxation	27,858	32,146
Bank and other borrowings	198,964	95,074
Corporate bonds	49,456	–
Convertible bonds	–	197,895
Derivative financial instruments	–	8,909
	406,090	**423,532**

As shown in the above table, there was a increase in the amount of corporate bonds from approximately RMB121,335,000 as at 31 December 2016 to RMB170,412,000 as at 30 June 2017, representing an increase of approximately 78.97% As advised by the Management, such increase was mainly due to the reasons that the Company has issued the corporate bonds of approximately HK$141.7 million during the six months ended 30 June 2017. The funds raised can enhance the Group's capital based and accelerate the development on our business. On the other hand, the Company has early redeemed of the convertible bonds of US$30 million in order to increase the flexibility of business.

As a result of the above, the gearing ratio of the Group, being total borrowings of approximately RMB509,470,000 (excluding (i) accruals, other payables, deposits received and deferred income; (ii) provision for taxation; and (iii) deposits received and deferred income) divided by total equity of approximately RMB1,226,905,000, was decreased from approximately 45.51% to 41.52%.

Further, the current ratio of the Group, being current assets divided by current liabilities, was approximately 3.4 times as at 30 June 2017 as compared with approximately 3.0 times as at 31 December 2016. The significant increase in current ratio from 31 December 2016 to 30 June 2017 was mainly attributable to the increase in finance lease, loan and account receivables and the decrease in convertible bonds over the relevant period.

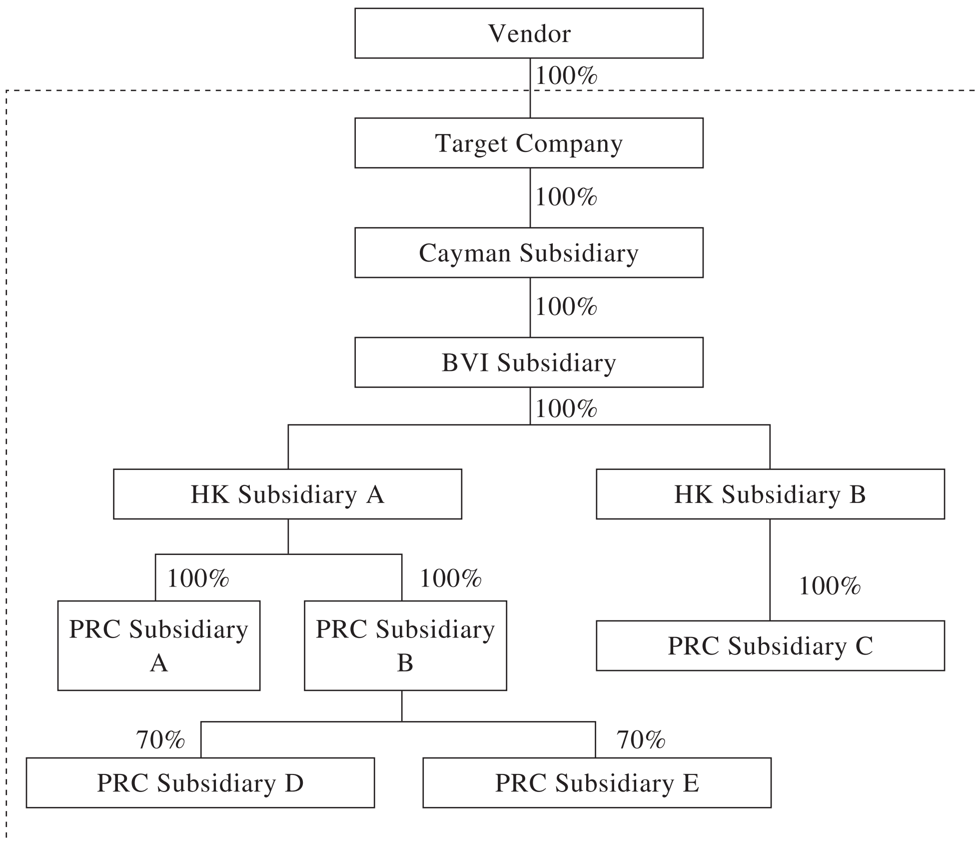
(ii) Information of the Vendor

As at the Latest Practicable Date, the Vendor is the spouse of Mr. Hong, who is the chairman, executive Director and the substantial shareholder of the Company. Therefore, the Vendor is an associate of Mr. Hong and hence a connected person of the Company under Chapter 14A of the Listing Rules.

(iii) Information of the Target Group

(a) Shareholding structure of the Target Group

Set out below is the diagram illustrates the shareholding structure of the Target Group as at the date of this announcement:



Note:

Target Group

(b) Principal business of the Target Group

Set out below are the primary information including the date of incorporation, place of incorporation, the shareholding structure and the principal activities of each of the companies under the Target Group

Target Company

The Target Company is a limited liability company incorporated under the laws of the BVI on 15 May 2017. As advised by the Vendor, the principal business of the Target Company is investment holding. As at the Latest Practicable Date, the Target Company is directly wholly-owned by the Vendor.

Cayman Subsidiary

The Cayman Subsidiary is a limited liability company incorporated under the laws of the Cayman Islands on 8 April 2016. As advised by the Vendor, the principal business of the Cayman Subsidiary is investment holding. As at the Latest Practicable Date, the Cayman Subsidiary is directly wholly-owned by the Target Company.

BVI Subsidiary

The BVI Subsidiary is a limited liability company incorporated under the laws of the BVI on 1 November 2016. As advised by the Vendor, the principal business of the BVI Subsidiary is investment holding. As at the Latest Practicable Date, the BVI Subsidiary is directly wholly-owned by Cayman Subsidiary.

HK Subsidiary A

The HK Subsidiary A is a limited liability company incorporated in Hong Kong on 17 November 2016. As advised by the Vendor, the principal business of the HK Subsidiary A is investment holding. As at the Latest Practicable Date, the HK Subsidiary A is directly wholly-owned by the BVI Subsidiary.

HK Subsidiary B

The HK Subsidiary B is a limited liability company incorporated in Hong Kong on 17 November 2016. As advised by the Vendor, the principal business of the HK Subsidiary B is investment holding. As at the Latest Practicable Date, the HK Subsidiary B is directly wholly-owned by the BVI Subsidiary.

PRC Subsidiary A

The PRC Subsidiary A is a limited liability company established in the PRC on 8 June 2017. As advised by the Vendor, the principal business of the PRC Subsidiary A is investment holding. As at the Latest Practicable Date, the PRC Subsidiary A is directly wholly-owned by the HK Subsidiary A.

PRC Subsidiary B

The PRC Subsidiary B is a limited liability company established in the PRC on 24 November 2016. As advised by the Vendor, the principal business of the PRC Subsidiary B is investment holding. As at the Latest Practicable Date, the PRC Subsidiary B is directly wholly-owned by the HK Subsidiary A.

PRC Subsidiary C

The PRC Subsidiary C is a limited liability company established in the PRC on 13 November 2014. As advised by the Vendor, the principal businesses of PRC Subsidiary C are provision of property management and car park management services. As at the Latest Practicable Date, PRC Subsidiary C is directly wholly-owned by the HK Subsidiary B.

PRC Subsidiary D

The PRC Subsidiary D is a limited liability company established in the PRC on 10 June 2015. As advised by the Vendor, the principal businesses are the PRC Subsidiary D is (i) real estate development; (ii) real estate agency services; (iii) car park management; and (iv) property management. As at the Latest Practicable Date, the PRC Subsidiary D is owned as to 70% equity interest by the PRC Subsidiary B and 30% equity interest by an Independent Third Party.

As informed by the Vendor, the PRC Subsidiary D currently owns a property development named Differ Sky Realm (鼎豐天境). For more details of Differ Sky Realm (鼎豐天境), please refer to the sub-section headed "Information about the properties held by the Target Group" on page IFA-21 in this letter.

PRC Subsidiary E

The PRC Subsidiary E is a limited liability company established in the PRC on 9 February 2015. As advised by the Vendor, the principal businesses of the PRC Subsidiary E are (i) tourism project development and investment; (ii) sales of tourism commodity; and (iii) cultural transmission. As at the Latest Practicable Date, the PRC Subsidiary E is owned as to 70% equity interest by the PRC Subsidiary B and 30% equity interest by an Independent Third Party.

As informed by the Vendor, the PRC Subsidiary E currently owns a property development named Chu Zhou Fu Cheng (處州府城). For more details of Chu Zhou Fu Cheng (處州府城), please refer to the sub-section headed "Information about the properties held by the Target Group" on page IFA-21 in this letter.

(c) Financial information of the Target Group

Set out below are the key consolidated financial information of the Target Group as extracted from its audited financial statements for each of each of the three financial years ended 31 December 2016 and for the 9 months ended 30 September 2017.

Table 3: Extracted consolidated financial performance of the Target Group

	Year ended 31 December			Nine month ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	–	–	–	–	–
Share of result of a joint venture	–	52,724	14,192	15,465	10,910
(Loss)/profit for the year/period	(1)	51,003	5,200	9,479	18,589

During the three financial years ended 31 December 2016 and for the 9 months ended 30 September 2017, the Target Group has yet to record any revenue since the Target Group is still at the stage of development since its date of establishment.

For the year ended 31 December 2015

For the financial year ended 31 December 2015, the profit after taxation of the Target Group was amounted to approximately RMB51,003,000, representing an increase of approximately RMB51,004,000 when compare to the corresponding year. The significant change from a net loss of approximately RMB1,000 for the year 2014 to a net profit of approximately RMB51,003,000 for the year 2015 was mainly due to the share of result of a joint venture, being the PRC Subsidiary E, amounted to approximately RMB52,724,000.

For the year ended 31 December 2016

For the financial year ended 31 December 2016, the profit after taxation of the Target Group was amounted to approximately RMB5,200,000, representing a decrease of approximately 89.80% or RMB45,803,000 when compare to the corresponding year. The significant decrease was mainly due to (i) a decrease in the share of result of a joint venture from approximately RMB52,724,000 to approximately RMB14,192,000 and (ii) the increase in selling expenses from approximately RMB570,000 for the year 2015 to approximately RMB4,780,000 for the year 2016. As advised by the Vendor, the selling expenses was mainly referred to payment of salaries, sales commission and advertising expenses.

For the 9 months ended 30 September 2017

For the 9 months period ended 30 September 2017, the profit after taxation of the Target Group was amounted to approximately RMB18,589,000, representing an increase of approximately 96.10% or RMB9,110,000 when compare to the corresponding period. The significant increases was mainly due to the (i) the increase in other income from approximately RMB11,000 to approximately RMB15,748,000 which was attributable to the gain on step acquisition of PRC Subsidiary E of approximately RMB15,590,000; (ii) gain on bargain purchase arising from acquisition of a subsidiary amounted to approximately RMB1,861,000; and (iii) the fair value gain on investment properties amounted to approximately RMB7,039,000.

Table 4: Extracted consolidated statement of financial position of the Target Group

	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Non-current assets	–	54,060	93,527	312,350
Current assets	50	145,543	404,273	695,710
Total assets	**50**	**199,603**	**497,800**	**1,008,060**
Non-current liabilities	51	147,101	415,613	740,026
Current liabilities	–	–	–	90,459
Total liabilities	**51**	**147,101**	**415,613**	**830,485**
Net assets	**(1)**	**52,502**	**82,187**	**177,575**

As at 31 December 2015

The total assets of the Target Group as at 31 December 2015 amounted to approximately RMB199,603,000 is an aggregate value of (i) non-current asset amounted to approximately RMB54,060,000; and (ii) current assets amounted to approximately RMB145,543,000. The significant increase in total assets (approximately RMB199,603,000) and total liabilities of the Target Group as at 31 December 2015 (approximately RMB147,101,000) as compared with that of 31 December 2014 (assets: approximately RMB50,000; liabilities: approximately RMB51,000) was mainly due to the stage of initial setup in the year 2014.

The total assets of the Target Group as at 31 December 2015 mainly comprised of (i) property, plant and equipment amounted to approximately RMB1,336,000; (ii) interest in a joint venture amounted to approximately RMB52,724,000; (iii) the properties held for development amount to approximately RMB141,412,000; (iv) amounts due from a joint venture and related parties amounted to approximately RMB1,305,000 and RMB1,802,000 respectively; and (v) cash and cash equivalents amounted to approximately RMB1,024,000. As at 31 December 2015, the properties held for development mainly comprised the interest in four parcels of lands of Differ Sky Realm as mentioned in the sub-section headed "General information" above.

On the other hand, the total liabilities of the Target Group as at 31 December 2015 amounted to approximately RMB147,101,000 was mainly comprised of (i) trade payables of approximately RMB791,000; (ii) accruals, other payables and receipt in advance of approximately RMB405,000; and (iii) amounts due to a related parties of approximately RMB145,905,000.

As at 31 December 2016

The total assets of the Target Group as at 31 December 2016 was amounted to approximately RMB497,800,000, it recorded an increase of approximately RMB298,197,000, representing approximately 149.40% when compare to the total asset value of the corresponding period.

The total assets of the Target Group as at 31 December 2016 is an aggregate sum of (i) non-current asset amounted to approximately RMB93,527,000 and (ii) current assets amounted to approximately RMB404,273,000. The increase in total assets of the Target Group as at 31 December 2016 as compared to that of 31 December 2015 was mainly attributable to (i) the increase in the interest in a joint venture of approximately RMB39,192,000 to approximately RMB91,916,000; (ii) the increase in the properties held under development of approximately RMB202,440,000; (iii) the increase in deposits, prepayments and other receivables of approximately RMB21,804,000 to approximately RMB23,109,000; (iv) the increase in amounts due from a joint venture of approximately RMB21,888,000 to approximately RMB23,690,000; (v) the increase in amounts due from related parties of RMB48,053,000; and (vi) the increase in cash and cash equivalents of RMB26,292,000 to approximately RMB27,316,000. As at 31 December 2016, the construction work of Differ Sky Realm was commenced in phases starting from early 2016 and the relevant cost of the properties held for development (being the land costs, construction cost and other related costs capitalized for the properties development) were allocated to the properties under development. In addition, the increase in deposits, prepayments and other receivables was mainly attributable to the increase in deposits, prepayment of sales commission and prepaid taxes and the increase in cash and cash equivalents was mainly due to the cash generated from proceeds from pre-sales of properties of Differ Sky Realm.

On the other hand, the total liabilities of the Target Group as at 31 December 2016 was amounted to approximately RMB415,613,000. It recorded an increase of approximately RMB268,512,000 or 182.54% when compare to the total liabilities value of the corresponding period. The increase in total liabilities of the Target Group as at 31 December 2016 as compared to that of 31 December 2015 was mainly attributable to the increase in accruals, other payables and receipt in advance from approximately RMB405,000 to approximately RMB298,851,000.

As at 30 September 2017

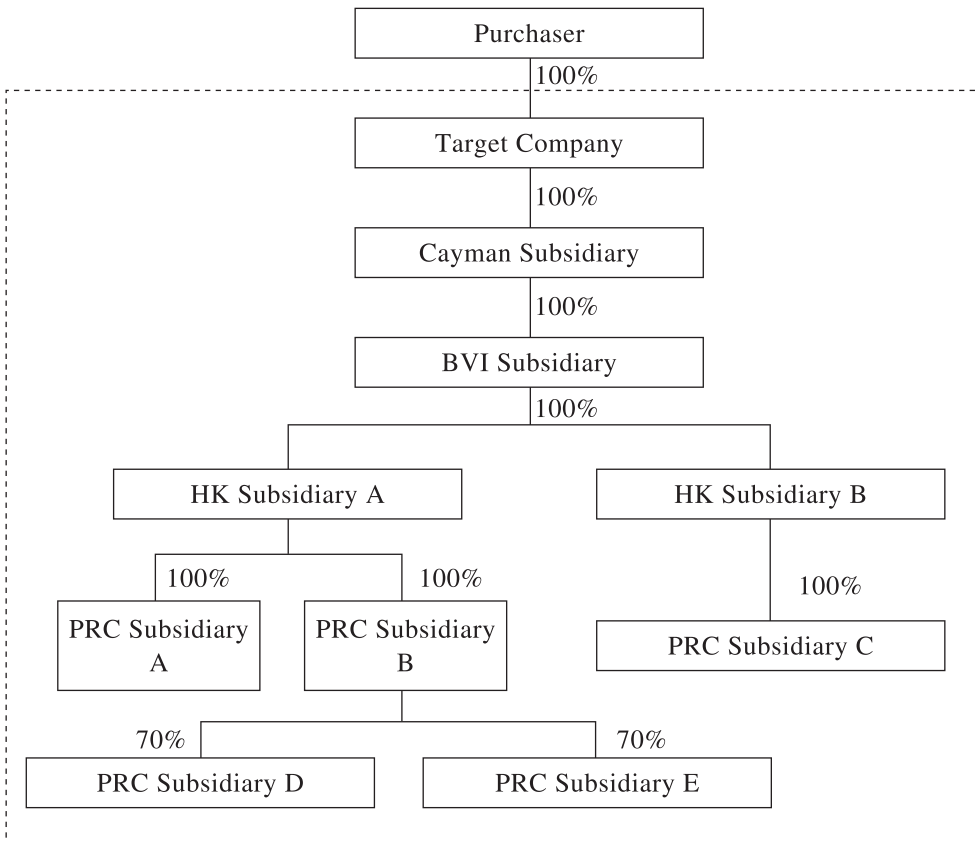
As at 30 September 2017, the total assets of the Target Group was amounted to approximately RMB1,008,060,000 and recorded an increase of approximately RMB510,260,000 or 102.50% when compare to the total asset value as at 31 December 2016.

The total assets of the Target Group as at 30 September 2017 is aggregate sum of (i) non-current asset amounted to approximately RMB312,350,000; and (ii) current assets amounted to approximately RMB695,710,000. The significant increase in total assets of the Target Group as at 30 September 2017 when compare to the total asset value of the year ended 31 December 2016. As advised by the Vendor, it was mainly attributable to (i) the increase in investment properties of approximately RMB308,000,000; (ii) the increase in properties under development of approximately RMB298,407,000 to approximately RMB500,847,000; and (iii) the increase in deposits, prepayments and other receivables of approximately RMB91,051,000 to approximately RMB114,160,000. As advised by the Vendor, the increase in deposits, prepayments and other received was mainly due to the increase in the amount due from Dingfeng Commercial Management Company Limited (鼎豐商業管理有限公司) of approximately RMB74.8 million, being a company previously owned as to 60% by the Vendor and has already been disposed to an Independent Third Party in early 2017, which has been committed by the Vendor to settle on or before the Completion Date as set out in the conditions precedent under the Agreement. In addition, the investment properties of the Target Group as at 30 September 2017 represents the properties interest of Chu Zhou Fu Cheng (as mentioned in the sub-section headed "General information") that is held by the Target Group for rental purpose in the future and it is advised that the construction work was commenced in phases starting from early 2017 and is expected to complete in late 2018. Further, the properties held for development of approximately RMB41.3 million as at 30 September 2017 represented one parcel of land of Differ Sky Realm for development in the final phase.

Regarding the total liabilities of the Target Group as at 30 September 2017, it was amounted to approximately RMB830,485,000, representing an increase by approximately RMB414,872,000 or 99.80% when compared to that of the year ended 31 December 2016. It is noted that such increase was mainly due to the increase in current liabilities as a result of the increase in accruals, other payables and receipt in advance.

Transaction structure of the Acquisition

The diagram below shows the shareholding structure of the Target Company immediately after completion of the Acquisition. For the structure of the Target Company immediately before Completion as at the Latest Practicable Date, please refer to the sub-section headed "Shareholding structure of the Target Group" above in this circular.



Note:

Target Group

II. Reasons for and benefits of entering into the Agreement

As stated in the Letter, we note that the Group has been putting greater effort on expanding its business and is actively looking for the good quality assets which potentially offer better returns. The Board having considered the overview of the economy of the areas where the properties developments are located, the expertise of the management for the development of the properties, and the capital appreciation of the properties, believe that despite that the Target Group is currently at its development stage with short operating history, the properties will offer better returns. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) believe that the Acquisition is in the best interests of both the Group and the Shareholders as a whole as the Acquisition represents a strategic expansion of the Group in line with the Group's general business strategy.

The Directors believe that as a result of the continual urbanisation, the overall demand for residential and commercial properties in the PRC has grown rapidly in recent years. As one of the prefecture level City in Zhejiang, Lishui witnessing strong market demands for both residential and commercial properties.

Based on the data available on the official website of Lishui Municipal Commission of Housing and Urban-Rural Development* (麗水市住房和城鄉建設委員會), the total investment of commodity buildings (comprising buildings for residential, office and commercial and for other use) in Lishui during the period from January 2017 to October 2017 was approximately RMB16.98 billion, showing a growth of approximately 23.4% over the corresponding period, whereas in the year 2016 the corresponding growth rates was approximately 5.9% over the year 2015. On the other hand, the completed area of commodity buildings in Lishui during the period from January 2017 to October 2017 was approximately 264.40 million square meters, showing a growth of approximately 61.9% over the corresponding period, whereas in the year 2016, the corresponding growth rates was 6.6% over the year 2015. In view of the above significant growth trend from January 2016 to October 2017, the Directors consider that there will be great development potential for the development of immovable properties in Lishui.

As at the Latest Practicable Date, the Target Group manages two major residential and commercial property projects, being the Differ Sky Realm and the Chu Zhou Fu Cheng, all of which were located in Lishu, the PRC. Both projects are scheduled to be completed in phases between 2018 and 2021. Upon completion of construction, the said property development projects comprise certain blocks of commercial buildings and residential apartment buildings. It is anticipated that the Acquisition would offer a potential return on investment to the Group through sales/lease of properties under the two major residential and commercial property projects.

The Directors believe that upon Completion, the Company will be able to diversify the property development investment under the asset management business segment leveraging on the Target Group's experience in the property development industry. Further, the Directors believe that the Acquisition will generate cash flow through sales/lease of properties to the Group, which is essential to the further development of the Group given that the Company is currently only invest in real estate investment with limited scale through the asset management business of the Group. Therefore, the Directors believe that the acquisition of the Target Group will diversify the Group's investment and offer return to the Group.

Based on the above, the Board (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) is of the view that the terms of the Agreement, the Issue Price and the Consideration are fair and reasonable and on normal commercial terms and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

(i) Information about the properties held by the Target Group

As stated in the Letter, the PRC Subsidiary D currently owns a property development named Differ Sky Realm (鼎豐天境), which is situated at Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, the PRC (the "**Sky Realm Property**") and the PRC Subsidiary E currently owns a property development named Chu Zhou Fu Cheng (處州府城), which is situated at northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, the PRC (the "**Chu Zhou Property**" and together with the Sky Realm Property, the "**Properties**")).

(a) Differ Sky Realm (鼎豐天境)

Differ Sky Realm (鼎豐天境) is mainly a residential development erected on four parcels of land with total site area of approximately 99,728.77 square meters. and is under construction. The Sky Realm Property is surrounded by a number of new developments such as Jingning Stadium, Phoenix Ancient Town (鳳凰古鎮), Sanyuesan Square (三月三廣場). It takes about a 10-minute drive from the property to the city center of Jingning Autonomous County.

According to the information provided by the Group, the Sky Realm Property will be completed in four phases and accommodate 25 blocks of high-rise apartment buildings, ancillary commercial areas, storage spaces, basement car parking spaces and other ancillary facilities. Upon completion the property will have a total gross floor area of approximately 377,168.60 square meters, the breakdown of which is as follows:

Usage	**Approximate GFA** *(square meters)*
Residential	258,657.76
Commercial	16,101.40
Storage (1,578 spaces)	14,792.96
Car parking space (1,819 bays)	82,699.61
Ancillary facilities	4,916.87
Total	**377,168.60**

As advised by the Group, the Sky Realm Property is scheduled to be completed in phases between May 2018 and May 2021.

(b) Chu Zhou Fu Cheng (處州府城)

Chu Zhou Fu Cheng (處州府城) is a commercial/cultural development with total site area of approximately 74,721.28 square meters. and is under construction. The Chu Zhou Property is located at the intersection of Dayou Street and Dayang Road, near Oujiang River. The Chu Zhou Property is surrounded by a number of tourist attractions such as YingXingLou (應星樓), Chuzhoufu Wall (處州府城牆), Nanming Gate (南名門) and Bingjiang Park. Taxis and buses are accessible to the property along Dayang Road.

Upon completion of the construction, the Chu Zhou Property will comprise 31 blocks of 1 to 3-storey commercial buildings plus 1-level of basement for commercial and storage use, ancillary cultural facilities and approximately 444 basement civil defense car parking spaces with a total gross floor area ("GFA") of approximately 94,510.50 square meters, the breakdown of which is as follows:

Usage	**Approximate GFA** *(square meters)*
Commercial	35,932.87
Basement	26,882.11
Ancillary cultural facilities	1,855.00
Other (including civil defence car parking spaced)	29,840.52
Total	**94,510.50**

As advised by the Group, the Chu Zhou Property is scheduled to be completed in late 2018 According to the Contracts for Grant of Land Use Rights, the Chu Zhou Property is scheduled to be completed before 30 September 2018

(ii) Factorings in assessing the Acquisition

In assessing the Acquisition and forming the view that the terms of the Acquisition are in the interests of the Company and its Shareholders as a whole, we have taken into consideration of the following factors:

(a) Overview of the Lishui economy

As mentioned above, the Properties is located in the city of Lishui, Zhejiang Province, the PRC. Lishi is a prefecture-level city in the southwest of Zhejiang province, the PRC. It borders Quzhou, Jinhua and Taizhou to the north, Wenzhou to the southeast, and the province of Fujian to the southwest. Lishui is under the jurisdiction of Nanjing and has a physical land size of 1,067 square kilometers with population of less than a half million.

In recent years, the Chinese government has formulated a series of policies and measures to support Lishui in the tourism area and real estate investment promotion. According to an article entitled "Eco-tourism green rise Lishui out of distinctive development* (綠色崛起生態旅游讓麗水走出特色發展路)" (i.e. http://www.zj.gov.cn/art/2014/11/26/art_40793_2124115.html) published in the official website of the People's Government of Zhejiang Province, we noted that the government of Lishui unveiled a plan to speed up the development of the city's tourism economy and target to generate a tourism revenue of approximately RMB 100 billion in the year 2020, representing 15% or above of the Lishui's gross domestic product ("**GDP**"). In order to achieve the aforesaid target, the government of Lishiu has formulated and implemented plans which mainly comprise of (i) investment up to RMB15 billion in the tourism industry (with target to invest in a total of 100 projects) during the year from 2015 to 2017; and (ii) set up a special development funds to grant an amount up to RMB50 million each year for the purpose of foreign or local investor to invest in certain tourism projects.

Further, we note that the government of Lishui has contributed resources on development and investment of the real estate industry in Lishui. According to a statistics report entitled "Lishui 2016 National Economic and Social Development Statistics Bulletin*(麗水市2016年國民經濟和社會發展統計公報)" (i.e. http://www.lsstats.gov.cn/sjjw/tjgb/lstjgb/201703/t20170328_2032319.htm) published by the government of Lishui in April 2017 ("**Real Estate Statistics**"), the annual investment by the relevant authorities in real estate development in the year 2016 reached approximately RMB16.7 billion, representing an increase of approximately 5.9% when compare to the corresponding year of 2015. As stated in the Real Estate Statistics, the sales of immovable properties in the year 2016 was approximately RMB20.77 billion and the respective sales area was approximately 2.4 million square meters, representing an increase of approximately 31.9% and an increase of approximately 27.3% respectively when compare to the corresponding year of 2015.

In respect of the property price of the residential properties located in Lishui, we have also conducted a research and checked to the historical residential property price information of Lishui city as published by China's Housing Price Platform* (中國房價行情網) (i.e. http://www.creprice.cn/market/ls/forsale/ALL/11.html) held by China Real Estate Association* (中國房地產業協會), an association monitored by the Construction Department of PRC* (中華人民共和國建設部). According to the above research, we note that the average pricing of the residential properties in Lishui on November 2017 was approximately RMB15,547 per square meter, representing an increase of approximately 18.95% as compared to that of the corresponding period on November 2016. Besides, we also noted that the average pricing of the residential properties has been increased from RMB12,505 per square meter for the year 2013 to RMB14,273 per square meter for the period from January 2017 to November 2017, representing an increase of approximately 14.14%. As there is a growing trend noted from the year 2013 to 2017, we consider that there is a growth potential in the development of residential properties in Lishui.

On the other hand, in respect of the property price of the commercial properties located in Lishui, we have also conducted a research and checked to the historical commercial property price information of Lishui city as published by China's Housing Price Platform* (中國房價行情網) (i.e http://www.creprice.cn/market/ls/forsale/ALL/11.html) held by China Real Estate Association* (中國房地產業協會), an association monitored by the Construction Department of PRC* (中華人民共和國建設部). According to the above research, we note that the average pricing of the commercial properties in Lishui on October 2017 was approximately RMB24,601 per square meter, representing a decrease of approximately 2.62% as compared to that of the corresponding period on October 2016 of RMB25,263 per square meter. Besides, we also noted that the average pricing of the commercial properties has been decreased from approximately RMB27,520 per square meter for the year 2013 to approximately RMB22,903 per square meter for the period from January 2017 to October 2017, representing a decrease of approximately 16.78%.

In addition to the commercial properties price, we have conducted a research and checked to the historical monthly rental information of the commercial properties located in Lishui as published by China's Housing Price Platform* (中國房價行情網). According to the above research, we note that the average monthly rental of the commercial properties in Lishui on November 2017 was approximately RMB36.03 per square meter, representing a decrease of approximately 14.54% as compared to that of the corresponding period on November 2016 of RMB42.16 per square meter. Besides, we also noted that the average monthly rental of the commercial properties has been decreased from approximately RMB49.84 per square meter for the year 2013 to approximately RMB38.34 per square meter for the period from January 2017 to November 2017, representing a decrease of approximately 23.07%.

Despite that there is a decreasing trend as noted above from commercial properties price and commercial rental value in Lishui for the period from the year 2013 to 2017, we have taken into account that (i) as the residential properties price in Lishui reflecting an increasing trend on the average annual pricing of approximately 14.14% for the period from the year 2013 to 2017; and (ii) out of the aggregate usage of the gross floor area of commercial properties and residential properties under the two property development projects (the Differ Sky Realm and the Chu Zhou Fu Cheng), the usage of the gross floor area of residential properties represent a significant portion of approximately 83.25% (258,657.76 square meters/(258,657.76 square meters + 16,101.4 square meters + 35,932.87 square meters) to the overall usage, representing an estimated weighted average growth rate of 131.36% ((258,657.76 square meters x 14.14%)/(258,657.76 square meters x 14.14% + (35,932.87 square meters + 16,101.4 square meters) x -16.78%)), we consider that the increasing trend of the residential properties price outweigh the decreasing trend of the commercial properties price, hence we are of the view that such research information on properties price trend indicate a positive weighted average growth rate to the investment return of the Acquisition upon Completion.

After considering the above research results, we conclude that (i) the mentioned policies bring into new investment opportunities and further attract investors to invest in Lishiu due to the foresseable business prospects; (ii) the government of Lishui has continuously contributed resources on development and investment of the real estate industry in Lishui; and (iii) there is a growth potential in the development of residential properties in Lishui showing a potential investment return to the Group upon Completion.

(b) Expertise of the management for the development of the Property

As advised by the Vendor, Chu Zhou Fu Cheng and Differ Sky Realm are currently managed by Mr. Huang Liuhui ("**Mr. Huang**"). Mr. Huang has more than 15 years of management experience in the real estate sector and property development industry in the PRC. Mr. Huang is the head of project development department and is primarily responsible for overseeing property development projects of various property development companies in the PRC (including previously appointed as project director/manager of several PRC listed companies and sizeable PRC property development companies) during the period from the year 2002 to 2015. In August 2017, Mr. Huang joined the Target Group and has been acting as the president of the PRC Subsidiary B. He is responsible for overseeing the general operations of the PRC Subsidiary D and PRC Subsidiary E and the management of the development project of the Differ Sky Realm and the Chu Zhou Fu Cheng. His years of experience in the property market have enabled him to develop insights in the macro economic environment and the market trend which helps the Target Group identify opportunities in the marketplace. With a view to overseeing the overall strategic planning, execution and development of the Properties, and supervising the project management team of the Target Group, we concur with the Director's view that the expertise and experience of Mr. Huang would be beneficial to the to the Group's business expansion into the property investment in the PRC.

Besides, as part of our due diligence, we have discussed with the Vendor and reviewed the organization structure of the Target Group, we note that the Target Group has a dedicated sales and management team and each of the management has delegated authority to facilitate effective segregation of duties and controls of the Target Group's business operation. We further understand that the said sales and management team primarily consists of 5 senior management with more than 10 years relevant experience in the property acquisition, property development and management. The following table sets forth the principal responsibilities of the senior management under the said sales and management team of the Target Group:-

Position	**Principal responsibilities**
Vice President	responsible for the sales and marketing of the Target Group
General Manager of the PRC Subsidiary D	responsible for the management of development projects
General Manager of the PRC Subsidiary E	responsible for the management of development projects
Director of the quantity surveying division	responsible for the supervision of cost and quality of construction projects
Financial Manager	responsible for the financial and secretarial matters of the Target Group

Upon Completion, Mr. Huang and the existing sales and management team of the PRC Subsidiary D and PRC Subsidiary E are expected to continue to work for the Target Group. The Company does not have to incur significant economic resources in building a new sales and management team for the property development business segment.

To conclude, we take into account that (i) the Group will continue to hire and retain the best available talents and (ii) under the existing hierarchy and internal controls of the Target Group, we are of that the operation of the Target Group will not be severely harmed if Mr. Huang resign.

(c) Capital appreciation of the Properties

According to the Valuation Report (as defined below) we noticed that the property value has record a revaluation surplus of approximately RMB669,491,000 for the financial period ended 30 September 2017. Apart from the capital appreciation history, we are aware that the property is currently under construction and development is currently expected to be completed by the ended of 2020, it is expected that the Target Group can benefit from future potential appreciation in the value of the property while delivering leasing services.

Conclusion

Having considered that (i) the Acquisition represents a strategic expansion of the Group in line with the Group's general business strategy; (ii) the outlook of the property market in the PRC would likely to be positive, and (iii) the property may allow the Group to enjoy capital appreciation in the future, we consider that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

III. Principal terms of the Transfer Agreements

On 21 November 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement. The principal terms of the Agreement are as follows:–

(i) Assets to be acquired

Pursuant to the Agreement, 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 the Target Company. As at the Latest Practicable Date,

(a) the Target Company directly holds all issued share capital of the Cayman Subsidiary;

(b) the Cayman Subsidiary directly holds all issued share capital of the BVI Subsidiary;

(c) the BVI Subsidiary directly holds all issued share capital of each of the HK Subsidiary A and HK Subsidiary B;

(d) the HK Subsidiary A directly holds all equity interest in each of the PRC Subsidiary A and PRC Subsidiary B;

(e) the HK Subsidiary B directly holds all equity interest in each of the PRC Subsidiary C; and

(f) the PRC Subsidiary B directly holds 70% equity interest in each of the PRC Subsidiary D and PRC Subsidiary E.

To the best knowledge of the Company, the respective shareholders holding the remaining 30% equity interest in PRC Subsidiary D and PRC Subsidiary E are Independent Third Parties.

(ii) Consideration

Pursuant to the Agreement, the total Consideration of RMB375,000,000 for the sale and purchase of the Sale Share shall be settled by the Purchaser in the following manners:

(a) RMB41,065,920 of the Consideration shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares each at the Issue Price to the Vendor or her nominee within five (5) Business Days after the (a) Completion Date; or (b) 30 December 2017, whichever is later;

(b) the Purchaser to pay on behalf of the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group, to satisfy part or whole (in the sole and absolute discretion of the Purchaser) of the outstanding amount (the "**Outstanding Debts**") owed by the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group as at the Completion Date. The outstanding amount of Outstanding Debts of Debtor 1 and Debtor 2 as at the Latest Practicable Date are RMB129,549,000 and RMB1,422,000 respectively; and

(c) RMB90,000,000 (the "**Retention Sum**") shall be retained by the Purchaser on the Completion Date, and if the Existing Charge is not fully released within one year after the Completion Date, the Purchaser shall has the right at its own discretion to deduct such guarantee sum (the "**Guarantee Sum**") payable under the Existing Charge from the Retention Sum. If there is any remaining amount payable under the Existing Charge after deducting the Guarantee Sum from the Retention Sum, the Purchaser will return such remaining amount to the Vendor without interest; and

(d) the remaining balance, if any, of the Consideration after deducting the amount as stated in (i), (ii) and (iii) above from the total Consideration, to be settled in cash within two (2) years from the Completion Date.

The Outstanding Debts and the Guarantee Sum shall in no event exceed the balance (the "**Balance**") of the Consideration (i.e. the balance after deducting the item (i) above). If the Balance is insufficient to set off the aggregate of Outstanding Debts and the Guarantee Sum on the Completion Date, the Vendor shall immediately repay all such shortfall to the Group and/or release the Existing Charge. The Purchaser may, at its sole discretion, refund the balance (without interest) of the Retention Sum to the Vendor if the Purchaser is satisfied that the Existing Charge has been satisfactorily released and the relevant release documents have been received by the Purchaser (to the satisfaction of the Purchaser).

The Company intends to finance the cash consideration by internal resources of the Group through repayment of the entrusted loan receivables from its existing customers in the ordinary course of business.

(iii) Basis of the Consideration

The Consideration was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the unaudited adjusted consolidated net asset value of the Target Group (the "**Adjusted NAV**") as at 30 September 2017; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the last five trading day immediately prior to the date of the Agreement.

The Adjusted NAV of RMB375,090,000 represents an aggregated value of:

- the unaudited consolidated net asset value of the Target Group attributable to the Vendor as at 30 September 2017 of in an amount of approximately RMB109,700,000 (the "**Consolidated NAV**"); and

- the proportionate interest of 70% of the revaluation surplus arising on the properties developments held by the Target Group namely, Differ Sky Realm (鼎豐天鏡) in an amount of approximately RMB265,390,000 with reference to the preliminary valuation of the market value of the said properties as at 30 September 2017 prepared by the Valuer.

The figure of RMB265,390,000 was derived first based on the valuation report as set out in Appendix V to this circular, which specifies that the market value of the said properties developments as at 30 September 2017 was RMB800,000,000. Then with reference to the total net book value of the said properties developments of RMB420,872,000, representing an aggregate of the properties under development of RMB379,469,000 and the properties held for development of RMB41,403,000, as at 30 September 2017 shown in the accountants' report on the Target Group, as set out in Appendix II to this circular. As the Target Group has 70% interest of the properties development, the figure is adjusted and then RMB265,390,000 is derived from the following equation:

(RMB800,000,000 – RMB420,872,000) x 70% = RMB265,390,000.

(iv) Evaluation of the basis of the Consideration

In assessing the fairness and reasonableness of the basis of the Consideration, we note that the Consideration was determined with reference to the Adjusted NAV, being the aggregated value of the Consolidated NAV and the proportionate interest of 70% of the revaluation surplus arising on the Sky Realm Properties.

Having made enquiry with respect to the Directors on the above basis of the Consideration, we understand that the Management has further taken into account the financial position of the Target Group for the period ended 30 September 2017 in determining the Consideration. We understand from the Directors that by referencing the Adjusted NAV as the basis of determining the Consideration, the book value of the assets and liabilities of the Target Group are analysed, adjusted and appraised individually by the Board.

For details of the summary of the assets and liabilities of the Target Group as at 30 June 2017 and 30 September 2017, please refer to the sub-section headed "*Financial information of the Target Group*" on page IFA-16 in this letter.

In evaluating the basis of Consideration, we have considered the above factors and other methodologies such as discounted cash flow approach. However, we considered that

- the amount of the Properties (being an aggregate amount of (i) the investment properties (approximately RMB308,000,000); (ii) the properties under development (approximately RMB500,847,000); and (iii) the properties held for development (approximately RMB41,403,000)) as stated in the financial position of the Target Group as at 30 September 2017 are the principal assets of the Target Group which accounted for approximately 84.35% of the total assets of the Target Group (approximately RMB1,008,060,000) as at 30 September 2017;

- the Consolidated NAV has taken into account the revaluation surplus arising on the Chuzhou Properties in an amount of approximately RMB290,363,000 with reference to the preliminary valuation of the market value of the said properties as at 30 September 2017 prepared by the Valuer;

- the Adjusted NAV has taken into account the revaluation surplus arising on the Sky Realm Properties in an amount of approximately RMB379,128,000 which is calculated by the preliminary valuation of the market value of the said properties of RMB800,000,000 as at 30 September 2017 prepared by the Valuer minus the carrying amount of the Sky Realm Properties of approximately RMB420,872,000 (the properties under development of approximately RMB379,469,000 (the properties held for development of approximately RMB41,403,000) as extracted the audited financial statements of the Target Group as at 30 September 2017; and

- the Target Group is currently at its development stage with short operating history and the discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period.

Consequently, we are of the view that the Adjusted NAV is an appropriate reference in determining the Consideration. Details of the methodologies of assessing the fair market value of the aforementioned assets are set out below:

(a) The Properties including (1) the investment properties, (2) the properties under development, and (3) the properties held for development

As mentioned in the aforesaid, we are given to understand that the Adjusted NAV has taken into account the fair market value of the Properties, being an aggregate amount of approximately RMB1,229,378,000, representing 88.62% of the total unaudited consolidated net asset value of the Target Group after adding the revaluation surplus on the Sky Realm Properties (i.e. RMB1,008,060,000 + RMB379,128,000 = RMB1,387,188,000) as at 30 September 2017, being the core assets of the Target Company.

Set out below are the details breakdown of the investment properties, the properties under development, and the properties held for development as at 30 September 2017:

	The investment properties *RMB'000*	**The properties under development** *RMB'000*	**The properties held for development** *RMB'000*
The Chuzhou Properties	83,390	55,625	–
The Sky Realm Properties	–	379,469	41,403
Revaluation surplus arising on the Chuzhou Properties	224,610	65,753	–
Sub-total as per the unaudited financial statements of the Target Group as at 30 September 2017	**308,000**	**500,847**	**41,403**
Revaluation surplus arising on the Sky Realm Properties	–	379,128	–
Total	**308,000**	**879,975**	**41,403**

Review on the Valuation Report

In assessing the fairness and reasonableness of the Valuation, we have discussed with the Management to understand the principal basis in determining the Consideration and obtained a copy of the valuation report in respect of the Valuation (the "**Valuation Report**"). The Valuation Report was prepared by Savills Valuation and Professional Services Limited (the "**Valuer**"). We have reviewed the Valuation Report and discussed with the Valuer regarding the methodologies adopted for and the basis and assumptions used in arriving at the market value of the Properties. In the course of our discussion with the Valuer, we noted that site inspection of the properties was carried out by the Valuer in September 2017 for inspection of the exterior of the properties and further noticed by the Valuer, we noted in the course of the aforesaid inspection, the Valuer did not notice any serious defects.

Review on the valuation methodology and assumptions

The Valuation was prepared by the Valuer using the direct comparison approach by making reference to comparable sales transactions as available in the market and have also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments.

We have reviewed and enquired into the Valuer regarding the methodology of, and basis and assumptions adopted for, the Final Valuation. The Valuer explained that they have adopted the direct comparison method which consist of comparisons based on prices realized or current asking prices of comparables properties. During our discussion with the Valuer, we understand how the Valuation was being derived and how the comparable properties of similar size, character and location were weighed against their respective advantage and drawbacks.

We have discussed with the Valuer on the valuation methodology applied, and reviewed the comparables provided by the Valuer, we consider that the basis being adopted are appropriate, fair and reasonable. As further confirmed by the Valuer, it has been provided with a legal opinion on the title to the properties issued by the Groups which mainly contains, inter alia, the following information:

- both PRC Subsidiary D and PRC Subsidiary E have obtained the land use rights of the property and are the legal owner of the land;
- the property held by PRC Subsidiary E is not subject to any guarantee, mortgage, seizure or other encumbrances;
- PRC Subsidiary E is entitled to transfer, lease, mortgage or by other means to dispose of the property subject to the terms of the Contracts for Grand of Land Use Rights and other requirements of the local authorities;
- except for Lot No. R21-08-4 of the property held by PRC Subsidiary D, PRC Subsidiary D is entitled to transfer, lease, mortgage or by other means to dispose of the property subject to the terms of the Contracts for Grant of Land Use Rights;
- both PRC Subsidiary D and PRC Subsidiary E have obtained the requisite permits and approvals for the construction of the property;
- PRC Subsidiary E obtained the Construction Works Commencement Permit on 25 July 2017, which was one year behind the commencement date as stipulated in the Contracts for Grant of Land Use Rights;
- except for Lot No. R21-08-4 of the property held by PRC Subsidiary D which is subject to a mortgage in favour of China Merchants Bank Company Limited Quanzhou Fengze Branch (招商銀行股份有限公司泉州豐澤支行) for a term due to 24 May 2018, the remaining three parcels of land are not subject to any guarantee, mortgage, seizure or other encumbrances; and
- after obtaining the written consent from the mortgagee, PRC Subsidiary D is entitled to transfer (including but not limited to sale, gift or exchange), lease, re-mortgage or dispose of Lot No. R21-08-4 of the property subject to the terms of the Contracts for Grant of Land Use Rights.

In view of the above, while we have taken reasonable steps to review on the Valuation, we have not used other valuation methodology to assess the value of the properties.

Information of the Valuer

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer (ii) Independent Property Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the engagement letter and other relevant information provided by the Valuer and based on our interview with it, we are satisfied with the terms of engagement of the Valuer as well as its qualification and experience for preparation of the Valuation Report.

Result of the assessment in relation to the Valuation

During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that the valuation of assets or properties usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the properties under developments of Differ Sky Realm (鼎豐天鏡) as at 30 September 2017 accurately.

(b) The amount due from the related parties

Apart from the Properties, we are given to understand that being another core assets of the Target Company, the Directors have taken into account the fair market value of amounts due from related companies (approximately RMB18,283,000), representing 1.32% of the total unaudited consolidated net asset value of the Target Group after adding the revaluation surplus on the Sky Realm Properties (i.e. RMB1,008,060,000 + RMB379,128,000 = RMB1,387,188,000) as at 30 September 2017, in determining the Consideration.

We have discussed with the Directors and reviewed the financial position of the Target Group as at 30 September 2017. We note that the entire amount due from the related parties was the amount due from a PRC company which is wholly owned by Mr. Hong Mingxian, the spouse of the Vender.

As stated in the Letter, as part of the settlement of the Consideration, the Purchaser will pay on behalf of the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group, to satisfy the Outstanding Debts owed by the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2) to the Target Group as at the Completion Date.

As a kind of offsetting arrangement to the Consideration, we consider that such arrangement could provide a reasonable assurance on the collectability of the receivables due from the Vendor, Mr. Hong and their respective associate companies (including but not limited to the Debtor 1 and Debtor 2), we therefore conclude that such receivables shall be fully recovered and the book value of it is fairly and reasonably stated.

(c) Other assets and liabilities

We note from the Directors that apart from the abovementioned other receivables, amounts due from related parties and borrowings, the value of (i) the investment properties, (ii) the properties under development, (iii) the properties held for development and the amount due from related parties, other assets and liabilities (including cash and bank balances, tax recoverable, trade payables and accruals and other payables) have been agreed and not adjusted by both the Purchaser and the Vendor. Given that the value of the abovementioned assets and liabilities are recorded in the management accounts under dollar-to-dollar basis and are not subject to market change and depreciation, we consider adopting the book values of such assets and liabilities is reasonable.

(v) Evaluation on the Retention Sum

As stated in the Letter, as part of the settlement of the Consideration, the Retention Sum shall be retained by the Purchaser on the Completion Date, and if the Existing Charge is not fully released within one year after the Completion Date, the Purchaser shall has the right at its own discretion to deduct the Guarantee Sum from the Retention Sum. If there is any remaining amount after deducting the Guarantee Sum from the Retention Sum, the Purchaser will return such remaining amount to the Vendor without interest.

As advised by the Management, we understand that currently the PRC Subsidiary D had executed (a) the Existing Charge for a loan facility in the sum of RMB90 million granted by a commercial bank in the PRC to the Debtor 1; and (b) the Existing Guarantee for a loan facility in the sum of RMB250 million granted by another commercial bank in the PRC to the Debtor 2 for the guarantee amount set out under the sub-section headed "PROVISIONS OF FINANCIAL ASSISTANCE" on page IFA-42 in this letter.

In assessing the reasonableness of the Retention Sum, we consider that such arrangement could provide a reasonable protection to the interest of the Company in respect of the potential contingent liabilities arising from the Existing Guarantee and therefore conclude that such arrangement is in the interest of the Company and the Shareholders as a whole.

(vi) Consideration Shares

The Consideration Shares to be allotted and issued represent (i) approximately 1.98% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.94% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date, save as the issue of the Consideration Shares) on a fully diluted basis.

The Consideration Shares will be allotted and issued at the Issue Price, which represents:

(a) a premium of approximately 0.3% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the date of the Agreement; and

(b) equal to the average closing price of HK$0.582 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the Issue Price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

(a) Review on the Share price performance

The chart below shows the movement of the closing prices of the Shares during a period starting from 22 November 2016, being the 12 months prior to the date of the Agreement, up to and including the Latest Practicable Date (the "**Review Period**").

As shown in the above chart, during the Review Period, the closing Share price fluctuated between HK$0.980 per Share and HK$0.485 per Share, with an average closing Share price of approximately HK$0.658 per Share. The issue price of the Consideration Shares of HK$0.582 represented (i) a premium of approximately 20.0% to the lowest closing price per Share; and (ii) a discount of approximately 11.5% to average closing price per Share.

We refer to the chart above and noted that the share price of the Company increased from a low of HK$0.56 per Shares as at 15 December 2016 to a high of HK$0.98 per Share at 24 March 2017. After reviewing the trend of the daily closing price per Share during the period from 21 November 2016 to 24 March 2017, we note that it demonstrates an increasing trend as shown in the chart above. Based on this, we consider that the average daily closing prices of the Shares during the period reflected the market's reaction to (i) the placing of bonds as announced by the Company on 1 December 2016; (ii) the voluntary announcement in relation to the strategic cooperation agreement and the formation of a joint venture as announced by the Company on 6 December 2016; (iii) the acquisition of shares by a substantial shareholder and disposal of shares by a substantial shareholder; and the positive provide alert as announced by the Company on 30 December 2016; and (iv) the positive profit alert as announced by the Company on 14 March 2016. We enquired with the Management regarding the possible reasons for the increase in the Share price during such period and were advised that the Company was not aware of any particular matters which might have impact on the Share price during such period.

Following the 2017 annual results announcement as announced by the Company on 28 March 2017, the price of the Shares showed a downward trend in general, showing a decrease from HK$0.89 on 29 March 2017 to HK$0.58 on the date of the Agreement. During the period from 29 March 2017 to the Latest Practicable Date, the Company announced (i) the voluntary announcement in respect of the establishment of joint venture on 21 August 2017; (ii) its 2017 Interim Results on 30 August 2017; (iii) the discloseable transaction and advance to an entity in respect of the provision of guarantees on 14 September 2017; and (iv) the exempted connected transaction in respect of the acquisition of 25% equity interests in a non-wholly owned subsidiary on 27 September 2017; (iv) the discloseable transaction and advance to an entity on 28 September 2017; and (v) the discloseable and connected transaction in respect of the acquisition of 37% equity interests in a non-wholly owned subsidiary on 27 October 2017. We enquired with the Management regarding the possible reasons for the decrease in the Share price during such period and were advised that the Company was not aware of any particular matters which might have impact on the Share price during such period. Based on the above, we have not identified any significant Share price irregularities during the Review Period.

To conclude, we are of the view that the change in Share price during the Review Period reflects the change in the fundamentals of the Company and therefore, the Share price during such period serve a fair and meaningful indicator for assessing the issue price of the Consideration Shares. We further note that the average closing price of the Shares for the period from 22 August 2017 to 21 November 2017, being the last 3 months Share price of the Company prior to the date of the Agreement, is approximately 0.565, the Issue Price of HK$0.582 represents a premium of approximately 3.0% over the aforesaid recent 3 months average closing price. On this basis, we consider the issue of the Consideration Shares by the Company at a premium to market price to be attractive to the Independent Shareholders.

(b) Review on the trading volume of the Shares

Set out below is the table showing the (i) monthly total trading volume of the Shares; (ii) the number of trading days; (iii) the average daily trading volume of the Shares; (iv) the total issue Shares at the end of each month; and (v) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	**Monthly total trading volume of the Shares (A)**	**No of trading days (B)**	**Average daily trading volume of the Shares (C) = (A)/(B)**	**Total issued Shares at the end of each month (D)**	**Percentage of The average Daily trading Volume of the Shares to the Shares to the total issued Shares (C)/(D)** *(%)* *(Note 1)*
2016					
November	55,986,000	7	7,998,000	4,236,009,880	0.19
December	134,319,880	20	6,715,994	4,236,009,880	0.16
2017					
January	126,884,078	19	6,678,109	4,236,009,880	0.16
February	142,108,200	20	7,105,410	4,236,009,880	0.17
March	161,233,500	23	7,010,152	4,236,009,880	0.17
April	203,494,540	17	11,970,267	4,236,009,880	0.28
May	239,696,000	20	11,984,800	4,236,009,880	0.28
June	122,526,076	22	5,569,367	4,236,009,880	0.13
July	148,194,000	21	7,056,857	4,236,009,880	0.17
August	209,556,000	22	9,525,273	4,236,009,880	0.22
September	177,780,000	21	8,465,714	4,236,009,880	0.20
October	232,368,600	20	11,618,430	4,236,009,880	0.27
November	209,792,600	22	9,536,027	4,236,009,880	0.22
December	113,851,625	14	8,132,259	4,236,009,880	0.19

Note:

1. The calculation is based on the average daily trading volume of the Share divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.

As illustrated in the table above, during the Review Period, the monthly trading volume of the Shares ranged from 55,986,000 to 239,696,000, with an average of approximately 8,499,200 Shares. In addition, the percentage of the average daily, trading volume of the Shares during the Review Period ranged from approximately 0.13% to approximately 0.28% of the total number of Shares in issue as at its corresponding month. Hence, we consider that the trading of Shares did not appear to be active during the Review Period.

(c) Comparison with recent transactions

In assessing the reasonableness of the terms of the issue of Consideration Shares, we have based on the information available from the Stock Exchange's Website, identified an exhaustive list of 14 transactions as announced by the companies listed on the Stock Exchange since 1 June 2017 and including the date of the Agreement, being the announcement of the issue price (the "**CS Comparables**"). For the purpose of our selection of the CS Comparables is (i) an acquisition; (ii) the acquisition is fully or partly settled by the issue of shares under specific mandates as consideration. We consider that the selection of comparable companies within an approximate 6 month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time the terms of the issue of the Consideration Shares were determined.

Taking into account that the terms of the CS Comparables are determined under similar market condition and sentiments as the issue of the Consideration Shares, we consider that the CS Comparables may reflect the recent market trend of an acquisition involving issuance of shares as full or partial settlement of consideration. As such, we consider the CS Comparables are fair and representative samples for comparison. It should be noted that all the companies involved in the CS Comparables may have different principal activities, market capitalization and financial position as compared with those of the Company. Circumstances leading the CS Comparables companies to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the issue price.

Name of company	Stock code	Date of announcement of the issue price (dd/mm/yy)	Premium/ (discount) of issue price to closing price of the shares on the day of announcement of the issue price or last trading day	Premium/ (discount) of issue price to average closing price for the five trading days immediately prior to the day of announcement of the issue price or last trading day
Forebase International Limited	2310	3/11/2017	(12.20)	(10.89)
New Silkroad Culturaltainment Limited	472	13/10/2017	4.84	17.12
Rosan Resources Holdings Limited	578	13/10/2017	34.23	32.10
Richly Field China Development Limited	313	29/6/2017	0.00	2.09

Name of company	Stock code	Date of announcement of the issue price (dd/mm/yy)	Premium/ (discount) of issue price to closing price of the shares on the day of announcement of the issue price or last trading day	Premium/ (discount) of issue price to average closing price for the five trading days immediately prior to the day of announcement of the issue price or last trading day
Nameson Holdings Limited	1982	28/9/2017	0.00	4.00
Zh International Holdings Limited	185	27/9/2017	9.31	7.73
Starlight Culture Entertainment Group Limited	1159	14/9/2017	(2.17)	(4.01)
Sinotrans Limited	598	22/8/2017	1.14	0.45
Legend Strategy International Holdings Group Company Limited	1355	8/8/2017	(20.00)	(19.48)
Goodbady International Holdings Limited	1086	24/7/2017	6.40	5.10
Amax International Holdings Limited	959	18/7/2017	(22.35)	(22.35)
Semiconductor Manufacturing International Corporation	860	6/7/2017	(19.60)	(12.80)
Birmingham Sports Holdings Limited	2309	30/6/2017	(15.70)	(18.50)
Kiu Hung International Holdings Limited	381	12/6/2017	0.00	4.17
		Minimum	(22.35)	(22.35)
		Maximum	34.23	32.10
		Average	(2.58)	(1.09)
The Company	6878		0.34	0.00

As shown in the above table of the CS Comparables, the issue prices of all of the CS Comparables to the relevant closing price on the date of the announcement of relevant issue price ranged from a premium of approximately 34.23% to a discount of approximately 22.35%, with an average discount of approximately 2.58%. We note that the Issue Price of HK$0.582 represents a premium of approximately 0.34% to the closing price of the Shares on the date of the Agreement, being the date of announcement of the issue price, and such premium fall within the abovementioned range of the CS Comparables. Further, the issue prices of all of the CS Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the issue price ranged a premium of approximately 32.10% to a discount of approximately 22.35%, with an average discount of approximately 1.09% and the Issue Price of HK$0.582 equals to the average of the last five consecutive trading days immediately prior to the date of signing of the Agreement and discounts fall within the relevant range of the CS Comparables.

Despite the issue price of the Consideration Shares represents a discount to the closing prices of the Shares during the Review Period, taking into consideration that (i) the then liquidity of the Shares during the Review Period; (ii) the discount of the issue price of the Consideration Shares fall within the range of that of the CS Comparables; (iii) the Consideration is on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned; and (iv) the Acquisition is in the interest of the Company and the Shareholder as a whole, we consider that the terms of the Consideration Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

IV. Effect on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Completion and the allotment and issuance of the Consideration Shares:

Substantial Shareholders	**As at the Latest Practicable Date**		**Immediately following the Completion and the allotment and issuance of the Consideration Shares**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Expert Corporate *(Note 1)*	1,884,200,000	44.48	1,884,200,000	43.62
The Vendor or her nominee *(Note 2)*	—	—	84,000,000	1.94
Ever Ultimate Limited *(Note 3)*	1,115,800,000	26.34	1,115,800,000	25.83
Mr. Ng Chi Chung	12,098,000	0.29	12,098,000	0.28
Public Shareholders	1,223,911,880	28.89	1,223,911,880	28.33
Total	**4,236,009,880**	**100.00**	**4,320,009,880**	**100.00**

Note:

1. Expert Corporate is beneficially wholly-owned by Mr. Hong, the chairman and the executive Director of the Company. Mr. Hong is therefore deemed to be interested in the Shares owned by Expert Corporate.

2. The Vendor is the spouse of Mr. Hong. The Vendor is therefore deemed to be interested in all the Shares owned by Mr. Hong.

3. Ever Ultimate Limited is beneficially wholly-owned by Mr. Ng Chi Chung. Mr. Ng Chi Chung is therefore deemed to be interested in the Shares owned by Ever U ltimate Limited.

The Share issue allows the Company to reduce the cash consideration required for the Acquisition. Assuming the Consideration Shares would be issued and delivered to Vendor or her nominee in full and there was no further issue of Shares between the Latest Practicable Date and the date of Completion, Independent Shareholders' holdings upon Completion would be diluted from approximately 28.89% to approximately 28.33% of total shareholdings, that is a 0.56% reduction. While the dilution of Independent Shareholders' holdings is an unattractive factor in itself, this in our view should be considered in the context of the interests being secured following Completion, among others, the Properties, which are expected to generate stable income to the Enlarged Group following completion of the construction work by the end of 2020.

V. Financial effects of the Acquisition

Upon the Completion, (i) Target Company, Cayman Subsidiary, BVI Subsidiary, HK Subsidiary A, HK Subsidiary B, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company; whereas (ii) the PRC Subsidiary D and PRC Subsidiary E will become indirect non-wholly owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group.

The unaudited pro forma statement of assets and liabilities as included in Appendix IV to the Circular has been prepared by the Directors for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 30 June 2017 or any further date.

(i) Earnings

Following Completion, which is currently expected to be in January 2018, the Target Company will become a wholly-owned subsidiary of the Group, and the financial results and financial position of the Target Group would be consolidated into the financial statements of the Group.

The Properties, classified as investment properties by the Directors, will be carried at fair value after initial recognition. All future fair value gains or losses (including unrecognised fair value gains or losses) in relation to the Properties will be recognised in the consolidated income statement of the Group.

The Properties is not expected to be finished immediately following Completion. Accordingly, the Properties would not immediately contribute turnover or profit to the Group upon Completion. According to the Agreement, the Properties is scheduled to be completed in phase between the year 2018 and 2021. The Directors believe that once the construction work of the Properties has been completed, it would provide the Group with stable income in the long term.

(ii) Gearing

The gearing ratio of the Group as at 30 September 2017, being total borrowings of approximately RMB509,470,000 (excluding (i) accruals, other payables, deposits received and deferred income; (ii) provision for taxation; and (iii) deposits received and deferred income) divided by total equity of approximately RMB1,226,905,000, was approximately 41.52%. Immediately upon Completion, the pro forma net assets of the Group would be decreased by approximately RMB158,416,000 to approximately HK$1,068,489,000 because of the settlement of part of the consideration for the outstanding amount owed by the Vendor to Mr. Hong and his respective associate companies of the Target Group. On the basis that the Target Group would have no borrowings at Completion, the net gearing ratio of the Group is expected to increase by approximately 6.16 percentage points to approximately 47.68% immediately upon Completion.

(iii) Working capital

The Consideration would be partly satisfied by the cash consideration of approximately RMB202,963,080 (assume that the outstanding amount of Outstanding Debts of Debtor 1 and Debtor 2 as at the Latest Practicable Date, being RMB129,549,000 and RMB1,422,000 respectively have not been settled). As mentioned in this Letter, the Company intends to finance the cash consideration by internal resources of the Group. The Directors have confirmed that the Enlarged Group would have sufficient working capital for its present requirements; that is for at least the next 12 months from the date of the Circular.

B. PROVISIONS OF FINANCIAL ASSISTANCE

As stated in the Letter, the PRC Subsidiary D had executed (a) the Existing Charge as a security for the loan facility in the sum of RMB90 million granted by a commercial bank in the PRC to the Debtor 1; and (b) the Existing Guarantee as a security for a loan facility in the sum of RMB250 million granted by another commercial bank in the PRC to the Debtor 2.

The Existing Charge and the Existing Guarantee will not be released upon Completion. As both Debtor 1 and Debtor 2 are the associates of Mr. Hong, they are connected persons of the Company. Therefore, upon Completion, the transactions contemplated under each of the Existing Charge and Existing Guarantee will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

For the benefit of the Company and being the conditions precedent for the Completion of the Agreement, upon the Completion, the Company or its subsidiary will enter into the Guarantee Service Agreement 1 with the Debtor 1 and Guarantee Service Agreement 2 with the Debtor 2, both at a guarantee fee rate and consultancy fee rate of 2.1% and 1.0% per annum of the respective guarantee amounts (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate).

In order to further protect the interest of the Company, and also as a condition precedent for the Completion of the Agreement, the Vendor and Mr. Hong will execute the Counter Indemnity to counter indemnify the PRC Subsidiary D for all loss, liabilities and expenses which may be suffered or incurred by the PRC Subsidiary D under the Existing Charge and Existing Guarantee.

I. Principal terms of the Guarantee Service Agreements

The key terms of the Guarantee Service Agreements will be as follows:

(i) Guarantee Service Agreement 1

Guarantor:	PRC Subsidiary D
Borrower:	Debtor 1
Guarantee amount:	RMB90 million together with any interests, penalty interest, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	from the Completion Date to 31 May 2018
Security	the Retention Sum to be held by the Purchaser pursuant to the Agreement

The guarantee fee and consultancy fee will be settled in full by Debtor 1 upon entering into the Guarantee Service Agreement 1.

(a) Annual Caps 1 and the basis of determination

Set out below are the proposed Annual Caps 1 for the guarantee service under Guarantee Service Agreement 1 for the following periods, assuming the Completion will take place on 1 December 2017:

	One month ending 31 December 2017 *(RMB'000)*	**Five months ending 31 May 2018** *(RMB'000)*
Annual Caps 1	90,233	91,163

The expected Annual Caps 1 for the one month ending 31 December 2017 and five months ending 31 May 2018, respectively, were arrived at by reference to the aggregate of the guarantee amount, guarantee fee and consultancy fee under the Guarantee Service Agreement 1.

(b) Evaluation of the basis of determination of the Annual Caps 1

In assessing the reasonableness, we have discussed with the Management the basis and assumptions in setting the Annual Caps 1. We understand that the Annual Caps 1 is set with reference to the guarantee fee rate and consultancy fee rate in respect of the guarantee service the Management charged for historical transactions of the Company, taking into account the nature and timing of the guarantee transaction with reference to the market comparables as to the rates to be applied.

We have reviewed certain guarantee service agreements that the Group had entered into in relation to providing the guarantee services to its customers during the year 2017 and note that the guarantee fee rate and consultancy fee rate offered by the Group to its customers under its ordinary course of business is approximately 2.1% and 1.0%. In light of this, we conclude that the guarantee fee rate and consultancy fee rate under the Guarantee Service Agreement 1, which is to be calculated at approximately 2.1% and 1.0% respectively of the guarantee amount, is in line with the historical average rate charged by the Group. Since the total contract amount of the guarantee services agreements we have reviewed represents 100% of the total income generated from the guarantee services of the Group, we consider such guarantee service agreements are representable and adequate to form our opinion that the Annual Cap 1 is fair and reasonable.

In addition to the above work done, we have reviewed a report entitled "China Credit Guarantee Industry Credit Review and Prospect in 2016* (2016年中國擔保行業信用回顧與展望)" issued by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.*(上海新世紀資信評估投資服務有限公司) (i.e http://www.shxsj.com/uploadfile/kanwu/20170328-1.pdf) published on March 2017, we note that there is an upper limit on the rate of guarantee fees in the PRC, that is, the guarantee rate is not higher than half of the benchmark interest rate of commercial banks in the same period set by the People's Bank of China. At present, the average guarantee rate of the industry is 3%. However, regarding the consultancy fee rate, based on our best knowledge and effort since there is no rules governing the determination of consultancy fee rate in the guarantee service industry and such fee rate is normally offered by the guarantee service company under different scope and basis of determination, we are unable to identify comparable from the market in assessing the fairness and reasonableness on the basis of said consultancy fee rate, in view of this, we have evaluated the relevant terms under the Guarantee Service Agreement 1 based on the aggregate of the guarantee fee rate (2.1%) and the consultancy fee rate (1.0%), being 3.1%, and consider that the aggregated service fee rate (3.1%) is higher than the said average guarantee rate of the industry in the PRC (3%), therefore we concur that the determination of the guarantee fee rate and the consultancy fee rate is fair and reasonable and is favorable to the Company and its Shareholders as a whole.

(c) Evaluation on the Retention Sum

As stated in the Letter, as part of the settlement of the Consideration, the Retention Sum shall be retained by the Purchaser on the Completion Date, and if the Existing Charge is not fully released within one year after the Completion Date, the Purchaser shall has the right at its own discretion to deduct the Guarantee Sum payable under the Existing Charge from the Retention Sum. If there is any remaining amount after deducting the Guarantee Sum from the Retention Sum, the Purchaser will return such remaining amount to the Vendor without interest.

In assessing the fair and reasonableness of the Existing Charge, we have taken into account the securities under the Guarantee Service Agreement 1, being the Retention Sum. We consider that such arrangement could provide a reasonable protection to the interest of the Company in respect of the potential contingent liabilities arising from the Existing Charge and therefore conclude that such arrangement is in the interest of the Company and the Shareholders as a whole.

Conclusions

Given that (i) the terms under the Guarantee Service Agreement 1 shall not be less favourable than those offered to other customers by the Group for comparable services; and (ii) the Retention Sum, being an amount which shall be retained by the Purchaser on the Completion Date, providing a protection to the interest of the Company in respect of the potential contingent liabilities arising from the Guarantee Service Agreement 1, we consider that the determination of the Annual Cap 1 is fair and reasonable and is in the interest of the Company as a whole.

(ii) Guarantee Service Agreement 2

Guarantor:	PRC Subsidiary D
Borrower:	Debtor 2
Guarantee amount:	RMB250 million together with any interests, penalty interest, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	from the Completion Date to 30 September 2022

The guarantee fee and consultancy fee will be settled in full by Debtor 2 upon entering into the Guarantee Service Agreement 2.

(a) Annual Caps 2 and the basis of determination

Set out below are the proposed Annual Caps 2 for the guarantee service under Guarantee Service Agreement 2 for the following periods, assuming the Completion will take place on 1 December 2017:

	One month ending 31 December 2017	Year ending 31 December 2018	2019	2020	2021	Nine months ending 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Annual Cap 2	250,646	257,750	257,750	257,750	257,750	255,812

The expected Annual Caps 2 for the one month ending 31 December 2017, 4 years ending 31 December 2021 and 9 months ending 31 September 2022, respectively, were arrived at by reference to the aggregate of the guarantee amount, guarantee fee and consultancy fee under the Guarantee Service Agreement 2.

(b) Evaluation of the basis of determination of the Annual Cap 2

In assessing the reasonableness, we have discussed with the Management the basis and assumptions in setting the Annual Caps 2. We understand that the Annual Caps 2 is set with reference to the guarantee fee rate and consultancy fee rate in respect of the guarantee service the Management charged for historical transactions of the Company, taking into account the nature and timing of the guarantee transaction with reference to market comparables as to the rates to be applied.

As set out in the section under "Guarantee Service Agreement 1", we have reviewed certain guarantee service agreements that the Group had entered into in relation to providing the guarantee services to its customers during the year 2017 and note that the average guarantee fee rate and consultancy fee rate offered by the Group to its customers under its ordinary course of business is approximately 2.1% and 1.0%. In light of this, we conclude that the guarantee fee rate and consultancy fee rate under the Guarantee Service Agreement 1, which is to be calculated at approximately 2.1% and 1.0% respectively of the guarantee amount, is in line with the historical average rate charged by the Group. Since the total contract amount of the guarantee service agreements we have reviewed represents 100% of the total income generated from the guarantee services of the Group, we consider such guarantee service agreements are representable and adequate to form our opinion that the Annual Cap 2 is fair and reasonable.

As noted in the sub-section headed "Evaluation of the basis of determination of the Annual Cap 1", we note that there is an upper limit on the rate of guarantee fees in the PRC, that is, the guarantee rate is not higher than half of the benchmark interest rate of commercial banks in the same period set by the People's Bank of China. At present, the average guarantee rate of the industry is 3%. Based on our findings, as we are unable to identify comparable from the market in assessing the fairness and reasonableness on the basis of the consultancy fee rate, we have evaluated the relevant terms under the Guarantee Service Agreement 2 based on the aggregate of the guarantee fee rate (2.1%) and the consultancy fee rate (1.0%), being 3.1%, and consider that the aggregated service fee rate (3.1%) is higher than the said average guarantee rate of the industry in the PRC (3%), therefore we concur that the determination of the guarantee fee rate and the consultancy fee rate is fair and reasonable and is favorable to the Company and its Shareholders as a whole.

Besides, we note that there is security provided under Guarantee Service Agreement 1 but not under Guarantee Agreement 2, based on this, we have reviewed on (i) the back to back loan agreement entered into between Debtor 2 and the respective lender dated 28 September 2016; and (ii) the relevant valuation report in respect of the market value of the Collateral (as defined below) and after the evaluation as disclosed in the subsection headed "*Review on the loan of RMB250 million*" below, we concur with the Directors' view that since the market value of the Collateral is higher than that of the guarantee amount of RMB250 million, the Collateral can fully cover the credit risk in the event of default, therefore we conclude that it is fair to charge a guarantee fee rate same as that under the Guarantee Service Agreement 1.

In addition, we note that the term of the Guarantee Service Agreement 2 covers a period of more than 3 years (i.e. from the Completion Date to 31 May 2022). When formulating our opinion pursuant to Rule 14A.52 of the Listing Rules, we have taken into account that (i) the duration of the guarantee services contemplated under the Guarantee Service Agreement 2 is agreed and set out based on the duration of the terms contemplated under the respective loan agreement, being the period from 29 September 2016 to 28 September 2022; and (ii) after review of the Group's guarantee contract under its ordinary course of business and our research results of the market comparable as mentioned below, we note that it is a normal business practice for the guarantor to provide a guarantee based on the obligations of the borrower in respect of the respective loan agreement to undertake such other obligations as set out in the guarantee service agreement, we are of the opinion that the duration of contemplated under the Guarantee Service Agreement 2, being in excess of three years, is justifiable and in the normal business practice for contract of this type.

Set out below is the details of our research result of the abovementioned market comparables:

Date of announcement (dd/mm/yy)	Stock code	Company name	Date of guarantee agreement (dd/mm/yy)	Guarantee period	Guarantor obligation
26/10/2017	611	China Nuclear Energy Technology Corporation Limited	26/10/2017	Will not exceed 8 years from the date of the loan	To provide the guarantee in favour of the bank in respect of the entire repayment obligations of the borrowers under the revolving loan facility
30/8/2017	8095	Beijing Beida Jade Bird Universal Sci-Tech Company Limited	30/8/2017	5 years from the first drawdown under the loan Agreement	To secure the obligations of the borrower under the loan agreement
3/7/2017	1492	China Zhongdi Diary Holdings Company Limited	3/7/2017	2 years upon the expiry of the period for discharging liabilities under the guarantee service agreement	To provide counter guarantee in favor of the beneficiary for its obligations under the guarantee
29/9/2016	989	Ground Properties Company Limited	29/9/2016	From the date of the Counter Guarantee Agreement to 2 years after the date on which the guarantee has been discharged	To guarantee the payment obligations and liabilities of the beneficiary under the syndicate loan agreement
11/3/2016	513	Continental Holdings Limited	11/3/2016	5 years after the first utilisation of the facility	To provide a written guarantee in favour of the bank in respect of the obligations under the facility
10/2/2016	3396	Legend Holdings Corporation	5/2/2016	48 months after date of the facility agreement	To provides the guarantee in respect of all amounts due under the respective facility agreement and associated finance documents.

In assessing the fairness and reasonableness of the terms of guarantee services provided by the Group under the Guarantee Service Agreement 2, we have identified, to the best of our knowledge and effort, 6 transactions from companies listed on the Stock Exchange (as listed in the above table and collectively defined as "**Listed Comparables**"), on which the respective guarantor provided a guarantee based on the obligations of the borrower in respect of the respective loan agreement to undertake such other obligations as set out in the guarantee service agreement. Although the guarantee size and terms under the guarantee agreements of each of the Listed Comparables are not same as that of the Group, give that the characteristics of the guarantee services provided by each of the Listed Comparables are similar to the Group, we consider that the Listed Comparables are fair and representative samples to our analysis.

(c) Review on the loan of RMB250 million

We have reviewed the loan agreement entered into between Debtor 2 and the respective lender (i.e the PRC Bank) dated 28 September 2016. Pursuant to the said loan agreement, a property with valuation of approximately RMB528,310,000 which is currently owned by Debtor 2 (the "**Collateral**") was pledged to the respective lender to secure the loan granted to Debtor 2 amounted to RMB250 million. As advised by the Management, a valuation in respect of the fair market value of the Collateral has been conducted by an independent valuer on 29 July 2016 for satisfying the loan application requirement. We have reviewed the valuation report provided by the Vendor and note that the valuation result of the Collateral as at 29 July 2016 is approximately RMB528,310,000. Since the valuation result of the Collateral is higher than that of the guarantee amount of RMB250 million, we are of the view that the Collateral can fully cover the loan in the event that the loan is defaulted. Therefore, we consider that the risk of entering into the Guarantee Service Agreement 2 by the Company is controllable and is fair and reasonable.

Conclusions

Given that (i) the terms under the Guarantee Service Agreement 2 shall not be less favourable than those offered to other customers by the Group for comparable services; and (ii) the risk under the Guarantee Service Agreements is controllable, we consider that the determination of the Annual Cap 2 is fair and reasonable and is in the interest of the Company as a whole.

II. Reasons for and benefits of the provisions of guarantee services

As stated in the Letter, we note that as one of the principal businesses of the Group is financing guarantee services, the provision of Guarantee Services is in the ordinary and usual course of business of the Group. The terms of the Guarantee Service Agreements (including the guarantee amounts, the guarantee fees and the guarantee periods) will be negotiated on an arm's length basis between the Group and the Debtor 1 and the Debtor 2, respectively, based on, among other things, the financing needs requested by the respective Debtors, the security provided (in the case of the Guarantee Service Agreement 2), and the Group's assessment on the source of funds for repayment and the business conditions and creditworthiness of the Debtors. On the assumption that the Guarantee Service Agreement will be entered based on the key terms set out in this announcement, the Directors are of the view that the Guarantee Service Agreements to be entered into are on normal commercial terms.

Our view

Having considered (i) the Guarantee Service Agreement 1 and Guarantee Service Agreement 2 were executed in the past before signing of the Agreement; (ii) the results from the above analysis on the basis of determination of the Annual Cap 1 and Annual Cap 2; (iii) the guarantee fees and consultancy are expected to be generated as a result of the entering into of the Guarantee Service Agreements; and (iv) there is a reasonable protection provided to the interest of the Company in respect of the potential contingent liabilities arising from the Existing Guarantee 1, we are of the view that the Existing Guarantee 1 and the Existing Guarantee 2 are within normal business practice for contracts of these types to be of such duration and to ensure sustainability of the business of the PRC Subsidiary D.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that:

(i) the Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned;

(ii) the entering into of the Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and its shareholders as a whole;

(iii) the terms under the Guarantee Service Agreement 1 and the Guarantee Service Agreement 2 are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned;

(iv) the basis for determining the Annual Caps 1 and Annual Caps 2 are fair and reasonable so far as the Shareholders are concerned.

We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, among others, the entering into of the Agreement.

Yours faithfully,
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the year ended 31 December 2014, 2015 and 2016, and the six months ended 30 June 2017 are disclosed in the following documents which have been published on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.dfh.cn. Please refer to the hyperlinks as stated below:

2014 annual report
http://www.hkexnews.hk/listedco/listconews/GEM/2015/0305/GLN20150305001.pdf

2015 annual report
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN201604181215.pdf

2016 annual report
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427709.pdf

2017 interim report
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0830/LTN20170830238.pdf

2. STATEMENT OF INDEBTEDNESS

Bank and other borrowings

At the close of business on 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding secured bank borrowings amounted to approximately RMB148,013,000 and other secured borrowings amounted to approximately RMB126,027,000, which bearing an interest rate ranging from 7% to 8.3%.

Corporate bonds and promissory notes

As at close of business on 31 October 2017, the Enlarged Group had unsecured corporate bonds and unsecured promissory notes with an aggregate principal amount of approximately RMB267,919,000 and RMB120,000,000 respectively, which bearing an interest rate ranging from 5.5% to 9% and 5% per annum.

Contingent liabilities and guarantees

As at the close of business on 31 October 2017, the Enlarged Group provided the following financial guarantees:

(a) RMB340,000,000 given to banks for banking facilities granted to related companies;

(b) RMB494,900,000 to banks for banking facilities granted to the Enlarged Group's customers from financial guarantee business, which were secured by collaterals of the customers and/or personal/corporate guarantees; and

(c) RMB378,630,000 to banks in respect of mortgage loans granted to purchasers of certain property units from the Enlarged Group's property development business.

Pledge of assets

At the close of business on 31 October 2017, the Enlarged Group had the following charges over assets:

(a) Property held for development with carrying amount of RMB41,403,000 have been pledged to secure a bank credit limit granted to a related company; and

(b) Finance lease receivables with carrying amount of RMB51,101,000 have been pledged for certain secured bank borrowings.

Commitments

At the close of business on 31 October 2017, the Enlarged Group had the commitment amounted to RMB643,342,000 in respect of development costs for the Enlarged Group's investment properties and properties held for development/properties under development.

Others

At the close of business on 31 October 2017, the Enlarged Group had the amount due to a director of RMB311,000 and amount due to a related party of RMB515,000, which are unsecured, interest free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors confirm that, taking into consideration the financial resources presently available to us, which is primary the Enlarged Group's internal resources and the cash flow generated from operating activities, the Enlarged Group will have sufficient working capital for the Enlarged Group's present requirements and for at least 12 months commencing from the date of this circular.

The Directors are not aware of any other factors that would have a material impact on the Enlarged Group's liquidity.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 December 2016, being the date to which the latest published audited consolidated financial information of the Group were made up) and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

The following is the text of a report set out on pages II-1 to II-49, received from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the sole purpose of incorporation in circular. Terms defined herein apply to this report only.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DIFFER GROUP HOLDING COMPANY LIMITED

Introduction

We report on the historical financial information of Differ Cultural Tourism Development Company Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-49, which comprises the consolidated statements of financial position as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017 and the statement of the financial position of the Target Company as at 30 September 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-49 forms an integral part of this report, which has been prepared for inclusion in the circular of Differ Group Holding Company Limited (the "Company") dated 23 December 2017 in connection with the proposed acquisition of the entire interest in the Target Company by the Company (the "Proposed Acquisition").

Directors' responsibility for the historical financial information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 30 September 2017, and the consolidated financial position of the Target Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate no. P06047
Hong Kong, 23 December 2017

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

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

The underlying financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	6	–	–	–	–	–
Other income	6	–	1	13	11	15,748
Selling expenses		–	(570)	(4,780)	(3,133)	(3,301)
Administrative and other expenses		(1)	(1,152)	(4,225)	(2,864)	(11,443)
Share of result of a joint venture		–	52,724	14,192	15,465	10,910
Gain on bargain purchase arising from acquisition of a subsidiary	28	–	–	–	–	1,861
Fair value gain on investment properties	12	–	–	–	–	7,039
(Loss)/profit before income tax	7	(1)	51,003	5,200	9,479	20,814
Income tax expense	9	–	–	–	–	(2,225)
(Loss)/profit for the year/period		(1)	51,003	5,200	9,479	18,589
Other comprehensive income for the year/period						
Item that may be reclassified subsequently to profit or loss:						
– Exchange differences on translation of financial statements of foreign operation		–	–	(5)	(1)	6
Total comprehensive income for the year/period		(1)	51,003	5,195	9,478	18,595

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit for the year/period attributable to:					
Owner of the Target Company	(1)	51,646	9,460	12,307	19,370
Non-controlling interests	–	(643)	(4,260)	(2,828)	(781)
	(1)	51,003	5,200	9,479	18,589
Total comprehensive income for the year/period attributable to:					
Owner of the Target Company	(1)	51,646	9,455	12,306	19,376
Non-controlling interests	–	(643)	(4,260)	(2,828)	(781)
	(1)	51,003	5,195	9,478	18,595

Consolidated Statements of Financial Position

		As at 31 December			As at 30 September
		2014	2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	11	–	1,336	1,611	2,456
Investment properties	12	–	–	–	308,000
Interest in a joint venture	14	–	52,724	91,916	–
Prepayment for acquisition of property, plant and equipment	17	–	–	–	1,894
		–	54,060	93,527	312,350
Current assets					
Properties held for development	15	–	141,412	75,434	41,403
Properties under development	16	–	–	202,440	500,847
Deposits, prepayments and other receivables	17	–	1,305	23,109	114,160
Amount due from a joint venture	21	–	1,802	23,690	–
Amounts due from related parties	21	–	–	48,053	18,283
Tax prepaid		–	–	4,231	12,459
Cash and cash equivalents	18	50	1,024	27,316	8,558
		50	145,543	404,273	695,710
Current liabilities					
Trade payables	19	–	791	47,308	52,132
Accruals, other payables and receipt in advance	20	–	405	298,851	686,603
Amount due to a director	21	–	–	–	515
Amounts due to related parties	21	51	145,905	69,454	311
Provision for taxation		–	–	–	465
		51	147,101	415,613	740,026
Net current liabilities		(1)	(1,558)	(11,340)	(44,316)
Non-current liabilities					
Deferred tax liabilities	22	–	–	–	90,459
Net (liabilities)/assets		(1)	52,502	82,187	177,575

		As at 31 December			As at 30 September
		2014	2015	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owner of the Target Company					
Share capital	23	–	–	–	–
Reserves	24	(1)	52,655	86,600	109,700
		(1)	52,655	86,600	109,700
Non-controlling interests		–	(153)	(4,413)	67,875
(Capital deficiency)/ total equity		(1)	52,502	82,187	177,575

Statement of Financial Position

		As at 30 September 2017
	Notes	*RMB'000*
ASSET AND LIABILITY		
Non-current asset		
Investment in a subsidiary	13	–
Current liability		
Amount due to a shareholder	21	15
Net current liability		15
Net liabilities		(15)
EQUITY		
Share capital	23	–
Accumulated loss	24	(15)
Capital deficiency		(15)

Consolidated Statements of Changes in Equity

	Attributable to owner of the Target Company							
	Share capital *RMB'000* *(note 23)*	(Accumulated loss)/ Retained earnings *RMB'000*	Merger reserve *RMB'000* *(note 24)*	Other reserve *RMB'000* *(note 24)*	Exchange reserve *RMB'000* *(note 24)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2014	–	–	–	–	–	–	–	–
Loss for the year and total comprehensive income for the year	–	(1)	–	–	–	(1)	–	(1)
At 31 December 2014 and 1 January 2015	–	(1)	–	–	–	(1)	–	(1)
Profit for the year and total comprehensive income for the year	–	51,646	–	–	–	51,646	(643)	51,003
Business combination under common control	–	–	1,010	–	–	1,010	490	1,500
At 31 December 2015 and 1 January 2016	–	51,645	1,010	–	–	52,655	(153)	52,502
Profit for the year	–	9,460	–	–	–	9,460	(4,260)	5,200
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	(5)	(5)	–	(5)
Total comprehensive income for the year	–	9,460	–	–	(5)	9,455	(4,260)	5,195
Investment in a joint venture *(note 14)*	–	–	25,000	–	–	25,000	–	25,000
Acquisition of a subsidiary under common control	–	–	(510)	–	–	(510)	–	(510)
At 31 December 2016	–	61,105	25,500	–	(5)	86,600	(4,413)	82,187

	Attributable to owner of the Target Company							
	Share capital *RMB'000* *(note 23)*	Retained earnings *RMB'000*	Merger reserve *RMB'000* *(note 24)*	Other reserve *RMB'000* *(note 24)*	Exchange reserve *RMB'000* *(note 24)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2017	–	61,105	25,500	–	(5)	86,600	(4,413)	82,187
Profit for the period	–	19,370	–	–	–	19,370	(781)	18,589
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	6	6	–	6
Total comprehensive income for the period	–	19,370	–	–	6	19,376	(781)	18,595
Acquisition of a subsidiary under common control	–	–	(500)	–	–	(500)	–	(500)
Arising from step acquisition of a subsidiary *(note 28)*	–	–	(25,000)	–	–	(25,000)	116,047	91,047
Acquisition of additional interests in subsidiaries *(note 29)*	–	–	–	29,224	–	29,224	(42,978)	(13,754)
At 30 September 2017	–	80,475	–	29,224	1	109,700	67,875	177,575

	Attributable to owner of the Target Company							
	Share capital *RMB'000* *(note 23)*	Retained earnings *RMB'000*	Merger reserve *RMB'000* *(note 24)*	Other reserve *RMB'000* *(note 24)*	Exchange reserve *RMB'000* *(note 24)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016	–	51,645	1,010	–	–	52,655	(153)	52,502
Profit for the period	–	12,307	–	–	–	12,307	(2,828)	9,479
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the period	–	12,307	–	–	(1)	12,306	(2,828)	9,478
Investment in a joint venture *(note 14)*	–	–	25,000	–	–	25,000	–	25,000
At 30 September 2016 (Unaudited)	–	63,952	26,010	–	(1)	89,961	(2,981)	86,980

Consolidated Statements of Cash Flows

		Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
(Loss)/profit before income tax		(1)	51,003	5,200	9,479	20,814
Adjustments for:						
Depreciation of property, plant and equipment	7	–	22	505	367	495
Interest income	6	–	(1)	(13)	(11)	(60)
Fair value gain on investment properties	12	–	–	–	–	(7,039)
Gain on step acquisition	6	–	–	–	–	(15,590)
Gain on bargain purchase	28	–	–	–	–	(1,861)
Share of result of a joint venture		–	(52,724)	(14,192)	(15,465)	(10,910)
Operating loss before working capital changes		(1)	(1,700)	(8,500)	(5,630)	(14,151)
Increase in properties held for/under development		–	(141,412)	(136,462)	(58,120)	(150,376)
Increase in deposits, prepayments and other receivables		–	(1,305)	(21,804)	(19,098)	(84,593)
Increase in trade and other payables		–	1,196	344,963	151,069	340,320
Cash (used in)/generated from operations		(1)	(143,221)	178,197	68,221	91,200
Income tax paid		–	–	(4,231)	(2,317)	(7,470)
Net cash (used in)/generated from operating activities		(1)	(143,221)	173,966	65,904	83,730
Cash flows from investing activities						
Bank interest received		–	1	13	11	60
Additions of investment properties		–	–	–	–	(8,961)
Purchases of property, plant and equipment		–	(1,358)	(780)	(736)	(1,177)
Prepayment for acquisition of property, plant and equipment		–	–	–	–	(1,894)
(Advance to)/repayment from a joint venture		–	(1,802)	(21,888)	(4,988)	23,690
(Advance to)/repayment from related companies		–	–	(48,053)	–	42,322
Consideration paid for acquiring subsidiaries under common control		–	–	(510)	–	(25,500)
Acquisition of addition interests in subsidiaries		–	–	–	–	(13,754)
Net cash inflows arising from step acquisition	28	–	–	–	–	1,278
Net cash used in investing activities		–	(3,159)	(71,218)	(5,713)	16,064

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from financing activities					
Capital contributions from the shareholder of the Target Company to subsidiaries under common control	–	1,010	–	–	–
Investment from non-controlling interests	–	490	–	–	–
Advance from/(advance to) related parties	51	145,854	(76,451)	(60,931)	(119,073)
Advance from a director	–	–	–	–	515
Net cash generated from/(used in) financing activities	51	147,354	(76,451)	(60,931)	(118,558)
Net increase/(decrease) in cash and cash equivalents	50	974	26,297	(740)	(18,764)
Cash and cash equivalents at beginning of the year/period	–	50	1,024	1,024	27,316
Effect of exchange rate changes on cash and cash equivalents	–	–	(5)	(1)	6
Cash and cash equivalents at end of the year/period	50	1,024	27,316	283	8,558

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1.1 GENERAL INFORMATION

The Target Company was incorporated as an exempted company with limited liability in the British Virgin Islands ("BVI") on 15 May 2017. The Target Company's registered office is located at P.O. Box 933, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the property development and property investment in the People's Republic of China (the "PRC") (the "Business").

1.2 REORGANISATION

In the preparation for the acquisition by the Company, the Target Company and other companies comprising the Target Group will underwent a reorganisation (the "Reorganisation") pursuant to which group companies engaged in the Business have been transferred to the Target Company. The Target Company's principal subsidiaries comprising the Target Group after the completion of the Reorganisation are set out in note 13 below.

1.3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Business is controlled and managed by Mr. Hong Mingxian ("Mr. Hong"), the chairman, the executive director and the substantial shareholder of the Company, via Ms. Shi Hongjiao ("Ms. Shi"), the vendor of the Target Company through a trust arrangement. The Reorganisation is merely a reorganisation of the Business with no change in the ultimate shareholder and management of the Business. The proposed acquisition was regarded as business combinations under common control. Accordingly, the Historical Financial Information of the Business is presented on a combined basis, using the carrying values of the Business for all years presented or since their respective dates of incorporation/establishment, or since the date when the combining companies first came under the control of Mr. Hong, whichever is the shorter period.

All inter-group transactions, balances and unrealised gains/losses on transactions between companies in the Business are eliminated on combination.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The Financial Information and Stub Period Comparative Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Track Record Period except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017.

(b) Basis of measurement and going concern assumption

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost basis except for the investment properties, which are stated at fair values.

As at 30 September 2017, the Target Group had net current liabilities of approximately RMB44,316,000. As at 30 September 2017, the Target Company had capital deficiency of approximately RMB15,000 and net current liabilities of approximately RMB15,000. Ms. Shi, the shareholder of the Target Company, has confirmed her intention to provide sufficient financial support to the Target Group and Target Company so as to enable the Target Group and Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and Target Company to continue their businesses for twelve months after the respective year ended 30 September 2017 if the Proposed Acquisition is not completed, and to the completion date if the Proposed Acquisition is completed. The Company has also confirmed its intention to provide sufficient financial support to the Target Group and Target Company so as to enable the Target Group and Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and Target Company to continue their businesses from the completion date of the Proposed Acquisition up to twelve months after the year ended 30 September 2017 if the Proposed Acquisition is completed. Consequently, the Historical Financial Information of the Target Group and Target Company has been prepared on a going concern basis.

(c) Functional and presentation currency

The functional currency of the Target Company is Hong Kong Dollar ("HK$"). The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in Renminbi ("RMB"), since most of the companies comprising the Target Group are operating in RMB environment and the functional currency of most of the companies comprising the Target Group is RMB.

2.2 NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKAS 40	Transfers of Investment Property (amendments) [1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendment to HKFRS15	Clarifications of HKFRS 15[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendment to HKAS 40

Amendment to HKAS 40 issued in December 2016 clarify the requirements when an entity should transfer a property, including property under construction development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are applied prospectively to change in use that occur on or after the beginning of the annual reporting period in when the entity first applied the amendments. The Target Group will reassess the classification of property held at 1 January 2018 and, if applicable, reclassify property to reflect the condition that exist at that date.

The Target Group is in the process of making an assessment of the potential impact of these pronouncements and is not yet in a position to state whether the application of these new pronouncements will have material impact on these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information of the Target Group are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Target Company and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(i) Business combinations not involving entities under common control

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(ii) Business combinations involving entities under common control

Business combinations under common control are accounted for using pooling-of-interests method. In applying pooling-of-interests method, financial statement items of the combining entities or business are included in the consolidated financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The Target Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements when they first came under common control.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(c) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services or for administrative purpose. These include land and property that is being constructed or developed for future use as investment property.

When the Target Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life, as follows:

Motor vehicles	4 to 5 years
Furniture, fixtures and office equipment	3 to 5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(e) Properties held for development and properties under development

Properties held for development represented properties which has not yet commenced development and mainly comprises of leasehold land before commencement of construction.

Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of properties under development consist of land held under operating lease (see *note 3(g)*), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

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

(f) Joint ventures

The Target Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Target Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Target Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Target Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Target Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Target Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Target Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Target Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Target Group and its joint venture are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Target Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Target Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(g) Lease

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

Leases where substantially all the risks and rewards of ownership of assets remain within the lessor are accounted for as operating lease. Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentive received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

Leasehold interests in land are up-front payments to acquire the land use right. The payments are stated at cost less accumulated amortisation and any impairment losses. Certain leasehold interests in land are included in properties held under development and properties held for development.

(h) Financial instruments

(i) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at FVTPL are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, amounts due to a director and related parties, are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand which form an integral part of the Target Group's cash management.

(j) Income taxes

Income taxes comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint venture, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

(l) Recognition of other income

Other income is recognised when it is probable that the economic benefits will flow to the Target Group and when the income can be measured reliably.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(ii) Defined contribution retirement plan

The employees of the Target Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the period.

(n) Impairment of non-financial assets

At the end of each reporting period, the Target Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- Prepayment for acquisition of property, plant and equipment
- interests in a subsidiary and a joint venture

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(o) Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(p) Related parties

(i) A person or a close member of that person's family is related to the Target Group if that person:

(a) has control or joint control over the Target Group;

(b) has significant influence over the Target Group; or

(c) is a member of key management personnel of the Target Group or the Target Company's parent.

(ii) An entity is related to the Target Group if any of the following conditions apply:

(a) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i) (a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Target Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant effect on the carrying values of assets and liabilities within the next financial year are discussed below:

(i) Impairment of receivables

The Target Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history and financial conditions of the Target Group's debtors and the current market condition. When the Target Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for impairment are estimated. The Target Group's management reassesses the impairment of receivables at each reporting date. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

(ii) Estimates of current tax and deferred tax

The Target Group is subject to enterprise income tax ("EIT"). Significant judgement is required in determining the amount of the provision for taxation, particularly for PRC land appreciation tax ("LAT"), and implementation of these taxes varies amongst various PRC cities. The Target Group has not finalised its LAT calculation and payments with certain local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Target Group recognised EIT and LAT based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

(iii) Fair value of investment properties

Investment properties were stated at fair value in accordance with accounting policy.

The investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, the Target Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Please refer to note 12 for more detailed information in relation to fair value measurement of investment properties.

(iv) Net realisable value of properties under development

Include in the consolidated statements of financial position at 31 December 2016 and 30 September 2017 are properties under development with an aggregate carrying amount of approximately RMB202,440,000 and RMB500,847,000, which are stated at lower of cost and net realisable value. Management determines the net realisable value of the underlying properties which involves, inter-alia, considerable estimation based on analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales taking into account economic factors and government measures and policies. If the actual net realisable values of the underlying properties are less than the previous estimations as a result of change in market condition, government measures and policies and/or significant variation in the budgeted development cost, allowance for inventories of properties may result.

(v) Acquisition-date fair value of the identifiable assets of Lishui Fufeng

As disclosed in note 28, the acquisition of the 1% equity interest of Lishui Fu Feng Cultural Tours Limited* (麗水市富豐文化旅遊有限公司) ("Lishui Fufeng") by the Target Group was completed on 15 June 2017. The acquisition is accounted for using acquisition method pursuant to which the identifiable assets and liabilities of Lishui Fufeng are measured at fair value at the date of the acquisition. Management estimated the fair value of the properties, which are the major identifiable assets of Lishui Fufeng, with reference to valuation conducted by external valuation specialists. Determining the fair value of the properties of Lishui Fufeng at the date of acquisition requires considerable amount of judgement and estimation including to select appropriate valuation technique and key inputs to the valuation, as well as to make adjustments for properties of different condition or location, and for similar properties on less active markets. The valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results.

* *The English name is for identification only.*

5. SEGMENT INFORMATION

The Target Group operated only in one business segment, being the engagement in property development and investment in the PRC during the Track Record Period. Accordingly, no further disclosures by reportable segment based on business segment are made.

No revenue is generated by the Target Group during the Track Record Period and substantially all of the Target Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segment based on geographical segment are made.

6. REVENUE AND OTHER INCOME

The Target Group did not generate any revenue during the Track Record Period. An analysis of the Target Group's other income is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	–	1	13	11	60
Gain on step acquisition *(note 28)*	–	–	–	–	15,590
Others	–	–	–	–	98
	–	1	13	11	15,748

7. (LOSS)/PROFIT BEFORE INCOME TAX

The Target Group's (loss)/profit before income tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefits expenses:					
Salaries and other benefits	–	521	2,891	1,865	7,701
Pension scheme contributions	–	173	783	541	2,224
Total employee benefits expenses	–	694	3,674	2,406	9,925
Depreciation of property, plant and equipment	–	22	505	367	495
Operating lease charges on rented premises	–	–	–	–	595

8. DIRECTOR'S EMOLUMENTS

During the Track Record Period, the director of the Target Company did not receive any fee or other emoluments in respect of its services provided to the Target Group. In addition, no emoluments paid or payable by the Target Group were waive and no emoluments were paid by the Target Group to the director as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Track Record Period.

9. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
PRC EIT	–	–	–	–	465
PRC LAT	–	–	–	–	–
Deferred tax *(note 22)*	–	–	–	–	1,760
	–	–	–	–	2,225

The Target Group is subject to EIT, which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25% during the Track Record Period.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions.

No provision for Hong Kong profits tax had been made as the Target Group had no estimated assessable profits in Hong Kong during the Track Record Period.

Pursuant to the rules and regulations of the BVI and Cayman Islands, the Target Group is not subject to any taxation under these jurisdictions during the Track Record Period.

The income tax expense can be reconciled to the (loss)/profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit before income tax	(1)	51,003	5,200	9,479	20,814
Tax calculated at the rates applicable to (loss)/profit in the tax jurisdictions concerned	–	12,751	1,310	2,377	5,205
Tax effect of non-deductible expenses	–	–	18	13	2
Tax effect of non-taxable income	–	–	–	–	(3,898)
Tax effect of share of result of a joint venture	–	(13,181)	(3,548)	(3,866)	(2,728)
Tax effect of tax loss not recognised	–	430	2,220	1,476	3,644
Income tax expense	–	–	–	–	2,225

10. DIVIDEND

No dividend has been paid or declared by the Target Company since 15 May 2017 (the date of incorporation).

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Additions	543	815	1,358
At 31 December 2015 and 1 January 2016	543	815	1,358
Additions	289	491	780
At 31 December 2016 and 1 January 2017	832	1,306	2,138
Additions	111	1,066	1,177
Additional upon step acquisition from joint venture to subsidiary *(note 28)*	163	–	163
At 30 September 2017	1,106	2,372	3,478
Accumulated depreciation:			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Charged for the year	9	13	22
At 31 December 2015 and 1 January 2016	9	13	22
Charged for the year	205	300	505
At 31 December 2016 and 1 January 2017	214	313	527
Charged for the period	203	292	495
At 30 September 2017	417	605	1,022
Net carrying amount:			
At 31 December 2014	–	–	–
At 31 December 2015	534	802	1,336
At 31 December 2016	618	993	1,611
At 30 September 2017	689	1,767	2,456

12. INVESTMENT PROPERTIES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	–	–	–	–
Addition upon step acquisition from joint venture to subsidiary *(note 28)*	–	–	–	292,000
Additions	–	–	–	8,961
Changes in fair value	–	–	–	7,039
At the end of year/period	–	–	–	308,000

The Target Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years.

The fair value measurement of the Target Group's investment properties as at the end of each Track Record Period is using significant unobservable inputs (Level 3).

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The valuation of the Target Group's investment properties at 30 September 2017 is assessed by Savills Valuation and Professional Services Limited, the independent qualified professional valuers. Savills Valuation and Professional Services Limited is a member of the Hong Kong Institute of Surveryors and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

As at 30 September 2017, the carrying amount of investment properties shown above represents investment properties under construction of which are held for capital appreciation or held to earn rentals under operating lease and measured using the fair value model.

The fair value is estimated using a direct comparison approach by making reference to comparable sales transactions as available in the market and have also taken into account the cost that will be expended to complete the development to reflect the quality of the completed development while appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Below is a summary of the valuation technique used and the key unobservable inputs to valuation of the investment properties categorised within Level 3 of the fair value hierarchy:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable significant inputs to fair value
Property units – the PRC	3	Direct comparison approach	(Discount)/ premium on quality of the properties	(15)%–39%	The higher the discount, the lower the fair value; the higher the premium, the higher the fair value

A reconciliation of the fair value measurements categorised within Level 3 of fair value hierarchy is provided below:

	As at 30 September 2017 *RMB'000*
At the beginning of the period	–
Addition upon step acquisition from joint venture to subsidiary *(note 28)*	292,000
Additions	8,961
Fair value gain	7,039
At the end of the period	308,000
Changes in unrealised gains for the period included in profit or loss for assets held at the end of the period	7,039

13. INVESTMENT IN A SUBSIDIARY

The Target Company

	As at 30 September 2017 *RMB'000*
Unlisted shares, at cost	–

As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries:

Name	Place and date of Incorporation	Principal activity	Issued and fully paid up/registered share capital	Percentage of equity attributable to the Target Company Directly	Indirectly
Differ Cultural Tours Limited	Cayman Islands 8 April 2016	Investment holding	HK$380,000	100%	–
Cultural Tours Limited	BVI 1 November 2016	Investment holding	U.S. Dollar ("USD") 100	–	100%
Differ Cultural Tours Group Company Limited 鼎豐文旅集團有限公司	Hong Kong 17 November 2016	Investment holding	HK$1,000	–	100%
Differ Property Services Company Limited 鼎豐物業服務有限公司	Hong Kong 17 November 2016	Investment holding	HK$1,000	–	100%
Quzhou Differ Cultural Tours Development Limited* 衢州市鼎豐文化旅遊開發有限公司	PRC 8 June 2017	Investment holding	USD100,000,000	–	100%
Xiamen Differ Real Estate Management Limited* 廈門市鼎豐置業管理有限公司	PRC 24 November 2016	Investment holding	RMB200,000,000	–	100%
Xiamen Differ Property Services Limited* 廈門市鼎豐物業服務有限公司	PRC 13 November 2014	Dormant	RMB20,000,000	–	100%
Jining Differ Real Estate Limited* ("Jingning Differ") 景寧鼎豐置業有限公司	PRC 10 June 2015	Property development	RMB20,000,000	–	70% *(note 29)*
Lishui Fufeng	PRC 9 February 2015	Property development and property investment	RMB50,000,000	–	70% *(note 28)* *(note 29)*

As at the date of this report, no audited financial statements have been prepared for the above Target Group's companies, as they have not either carried on any business since their respective date of incorporation, or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

* *The English names are for identification only.*

14. INTEREST IN A JOINT VENTURE

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost (note)	–	–	25,000	–
Share of post-acquisition profit	–	52,724	66,916	–
	–	52,724	91,916	–
Share of net assets	–	52,593	91,785	–
Goodwill	–	131	131	–
	–	52,724	91,916	–

As at 31 December 2015 and 2016, the Target Group has interest in the following joint venture:

Name	Form of business structure	Place of incorporation	Principal activity	Percentage of equity attributed to the Target Group
Lishui Fufeng	Limited liability company	The PRC	Property development and property investment	50%

The contractual arrangement provides the Target Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Lishui Fufeng. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Notes:

(a) Despite the contractual arrangement had been entered by the Target Group and independent third party, through common control under Mr. Hong, on 29 June 2015, the share capital of Lishui Fufeng had not been paid up as at 31 December 2015. The Target Group had a commitment of RMB25,000,000 in relation to capital injection to Lishui Fufeng as at 31 December 2015.

(b) Pursuant to a sale and purchase agreement entered into between the Target Group and Wu Jianfei, the other shareholder of Lishui Fufeng on 15 June 2017, the 1% issued share capital of Lishui Fufeng was acquired by the Target Group. Thereafter, Lishui Fufeng became a subsidiary of the Target Group upon completion of the Step Acquisition (as defined in note 28). Further details of the Step Acquisition were set out in note 28 to the consolidated financial statements.

Summarised financial information in relation to the joint venture extracted from its management account is presented below:

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Current assets	38,263	55,151
Non-current assets	204,070	253,213
Current liabilities	(137,147)	(124,794)
Net assets	105,186	183,570
Reconciliation to the Target Group's interest in Lishui Fufeng		
Proportion of the Target Group's ownership	50%	50%
Target Group share of net assets of Lishui Fufeng	52,593	91,785
Goodwill	131	131
Carrying amount of the investment in Lishui Fufeng	52,724	91,916

	Period from 29 June to 31 December 2015	**Year ended 31 December 2016**
	RMB'000	*RMB'000*
Revenue	–	–
Profit for the period/year	105,448	28,384
Total comprehensive income for the period/year	105,448	28,384

15. PROPERTIES HELD FOR DEVELOPMENT

Properties held for development mainly comprises leasehold interest in land located in the PRC with lease terms ranging from 40 to 70 years.

As at 31 December 2014, 2015, 2016 and 30 September 2017, leasehold interests in land included in properties held for development with a carrying value of approximately RMB nil, RMB nil, RMB41,403,000 and RMB41,403,000 have been pledged to secure a bank credit limit granted to a related company, which is controlled by Mr. Hong, the spouse of the shareholder of the Target Company (note 26).

16. PROPERTIES UNDER DEVELOPMENT

Properties under development comprise certain construction and development costs and leasehold interest in land located in the PRC with lease terms ranging from 40 to 70 years.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, properties under development amounted to approximately RMB nil, RMB nil, RMB nil and RMB288,575,000 are expected to be recovered within 12 months.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayment for acquisition of property plant and equipment	-	-	-	1,894
Current				
Deposits	–	1,178	3,472	5,368
Prepayments	–	127	142	1,908
Other receivables	–	–	11,604	81,672
Other tax prepaid	–	–	7,891	25,212
	–	1,305	23,109	114,160

18. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	–	87	79	228
Cash at banks	50	937	27,237	8,330
Cash and cash equivalents in the consolidated statements of financial position	50	1,024	27,316	8,558

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

19. TRADE PAYABLES

The aging analysis of trade payables as at the end of the Track Record Period, based on invoice date, is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	–	791	46,654	51,757
31 to 90 days	–	–	654	8
91 to 180 days	–	–	–	–
180 to 365 days	–	–	–	346
Over 365 days	–	–	–	21
	–	791	47,308	52,132

20. ACCRUALS, OTHER PAYABLES AND RECEIPT IN ADVANCE

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	–	234	1,134	3,287
Other payables	–	55	892	6,646
Other tax payables	–	116	11	582
Receipt in advance *(note)*	–	–	296,814	676,088
	–	405	298,851	686,603

Note: Receipt in advance represents considerations received for pre-sale of properties under development from the Target Group's customers.

21. AMOUNT(S) DUE FROM/(TO) A JOINT VENTURE/A DIRECTOR/RELATED PARTIES

Target Group

(i) Amount(s) due from a joint venture/related parties

The amounts were unsecured, interest-free and repayable on demand.

Name of related parties	Relationship	As at 31 December 2014	2015	2016	As at 30 September 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lishui Fufeng	Joint venture	–	1,802	23,690	–
Dragon Holdings Company Limited* 龍之族控股有限公司 ("Dragon Holdings")	A company controlled by the spouse of the director of the Target Company	–	–	–	18,283
Dingfeng Commercial Management Company Limtied* 鼎豐商業管理有限公司	A company controlled by the spouse of the shareholder of the Target Company	–	–	48,053	–
		–	1,802	71,743	18,283

Particulars of balance with a related party of the Target Company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name of the related party	30 September 2017	Maximum amount outstanding during the period	1 January 2017
	RMB'000	*RMB'000*	*RMB'000*
Dragon Holdings	18,283	42,725	–

* *The English names are for identification only.*

(ii) Amount(s) due to a director/related parties

The amounts were unsecured, interest-free and repayable on demand as at 31 December 2014, 2015, 2016 and 30 September 2017.

Target Company

(i) Amount due to a shareholder

The amount was unsecured, interest-free and repayable on demand.

22. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities recognised by the Target Group during the Track Record Period is as follows:

	Revaluation of investment properties *RMB'000*	**Fair value adjustment on properties held for development arising from acquisition of a subsidiary** *RMB'000*	**Total** *RMB'000*
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016, 31 December 2016 and 1 January 2017	-	-	-
Step acquisition from joint venture to subsidiary *(note 28)*	54,390	34,309	88,699
Charged to profit or loss *(note 9)*	1,760	–	1,760
At 30 September 2017	56,150	34,309	90,459

The Target Group has estimated unutilised tax losses of approximately RMB1,000, RMB1,720,000, RMB10,600,000, RMB25,176,000 available for offset against future profits at 31 December 2014, 2015 and 2016 and 30 September 2017 (nine months ended 30 September 2016 (unaudited): RMB7,624,000) respectively for which no deferred tax assets has been recognised due to the unpredictability of future profit streams. The estimated unutilised tax losses will expire five years from the year of origination.

As at 31 December 2014, 2015, 2016 and 30 September 2017, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB nil, RMB nil, RMB nil and RMB159,295,000. No deferred tax liabilities was recognised because the Target Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

23. SHARE CAPITAL

The Target Company was incorporated on 15 May 2017 in the BVI with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each of which 1 share was allotted and issued at par value.

24. RESERVES

The Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity in section I.

(a) Merger reserve

The merger reserve of the Target Group arose as a result of the acquisitions of subsidiaries under common control and represented the consideration paid for the acquisitions and the carry amount of the net assets of subsidiaries of acquisition.

(b) Exchange reserve

Exchange reserve represents all foreign exchange difference arising on transaction to presentation currency.

(c) Other reserve

Other reserve represents the gain or loss arising from changes in ownership interests of subsidiaries that did not result in change in control.

The Target Company

	Accumulated loss
	RMB'000
At 15 May 2017 (the date of incorporation)	–
Loss and total comprehensive income for nine months ended 30 September 2017	(15)
At 30 September 2017	(15)

25. OTHER COMMITMENTS

Significant other commitments are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Property development	–	366,549	291,975	634,155

26. GUARANTEES

The Target Group has issued the following guarantees as at each of the reporting date:

(a) The Target Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligation of repayments. The outstanding guarantees amounted to approximately RMB nil, RMB nil, RMB110,680,000 and RMB336,310,000 at 31 December 2014, 2015, 2016 and 30 September 2017. The guarantees provided by the Target Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. These real estate ownership certificates would generally be issued within one year after the purchasers take possession of the relevant properties. No provision for the Target Group's obligation under the guarantees has been made as the director considered that it was not probable that the repayments of the loans would be in default. In case of defaults, the Target Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Target Group to the banks. The Target Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the director. The director also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Target Group in the event the buyer default payments to the banks.

(b) The Target Group has given financial guarantee to bank for banking facilities granted to Dragon Holdings, a related company of the Target Group which controlled by Mr. Hong, the spouse of the shareholder, of maximum amount of approximately RMB nil, RMB nil, RMB90,000,000 and RMB90,000,000 at 31 December 2014, 2015, 2016 and 30 September 2017.

(c) The Target Group has given financial guarantee to bank for banking facilities granted to Jingning Outdoor Residence Tour Investment Development Company Limited* (景寧外舍古鎮旅遊投資發展有限公司), a related company of the Target Group which controlled by Mr. Hong, the spouse of the shareholder, of maximum amount of approximately RMB nil, RMB nil, RMB250,000,000 and RMB250,000,000 at 31 December 2014, 2015, 2016 and 30 September 2017.

In the opinion of the director, the financial impact arising from the above financial guarantees is insignificant at each of the reporting date and accordingly, they are not accounted for in these consolidated financial statements.

* *The English name is for identification only.*

27. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's financial instruments include interest rate risk, credit risk, foreign currency risk and liquidity risk. The Target Group has no significant exposures to other financial risks except as disclosed below. The director of the Target Group reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

The Target Group's interest rate risk arises primarily from its cash at banks. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Target Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The director considered that the Target Group's cash flow interest rate risk is minimal.

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from amounts due from a joint venture and related parties, deposits and other receivables and cash at banks.

The Target Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties. The Target Group's cash and bank at each reporting date are mainly maintained with authorised banks in the PRC.

The Target Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality. None of the Target Group's financial assets are secured by collateral or other credit enhancements.

(iii) Foreign currency risk

Currency risk to the Target Group is minimal as most of the Target Group's transactions are carried out in RMB.

(iv) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of its financial liabilities and its cash flow management. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at each reporting date of the Target Group's financial liabilities, based on undiscounted cash flows and the earliest date the Target Group can be required to pay.

Target Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014						
Amounts due to related parties	51	51	51	–	–	–
	51	51	51	–	–	–
Financial Guarantee issued						
Maximum amount guaranteed	–	–	–	–	–	–

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015						
Trade payables	791	791	791	–	–	–
Accruals and other payables	289	289	289	–	–	–
Amounts due to related parties	145,905	145,905	145,905	–	–	–
	146,985	146,985	146,985	–	–	–
Financial Guarantee issued						
Maximum amount guaranteed	–	–	–	–	–	–

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016						
Trade payables	47,308	47,308	47,308	–	–	–
Accruals and other payables	2,026	2,026	2,026	–	–	–
Amounts due to related parties	69,454	69,454	69,454	–	–	–
	118,788	118,788	118,788	–	–	–
Financial Guarantee issued						
Maximum amount guaranteed	–	450,680	–	120,000	310,680	20,000

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2017						
Trade payables	52,132	52,132	52,132	–	–	–
Accruals and other payables	9,933	9,933	9,933	–	–	–
Amount due to a director	515	515	515	–	–	–
Amounts due to related parties	311	311	311	–	–	–
	62,891	62,891	62,891	–	–	–
Financial Guarantee issued						
Maximum amount guaranteed	–	676,310	105,000	255,830	305,480	10,000

Target Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2017						
Amount due to a shareholder	15	15	15	–	–	–

(iv) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Target Group

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Deposits and other receivables	–	1,178	15,076	87,040
Amount due from a joint venture	–	1,802	23,690	–
Amounts due from related parties	–	–	48,053	18,283
Cash and cash equivalents	50	1,024	27,316	8,558
	50	4,004	114,135	113,881

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised costs:				
Trade payables	–	791	47,308	52,132
Accruals and other payables	–	289	2,026	9,933
Amount due to a director	–	–	–	515
Amounts due to related parties	51	145,905	69,454	311
	51	146,985	118,788	62,891

Target Company

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised costs:				
Amount due to a shareholder	–	–	–	15
	–	–	–	15

(v) Capital management

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Target Group consists of equity attributable to owner of the Target Company only, comprising share capital and reserves.

No changes were made in the objectives, policies or processes during the Track Record Period.

28. Step acquisition from joint venture to subsidiary

Pursuant to a sale and purchase agreement entered into between the Target Group and Wu Jianfei, the other shareholder of Lishui Fufeng (the "Vendor") on 15 June 2017, the 1% issued share capital of Lishui Fufeng, a company incorporated in the PRC, a then joint venture of the Target Group, was acquired by the Target Group from the Vendor (the "Step Acquisition"). Lishui Fufeng is engaged in property development and property investment. The Step Acquisition was made as part of the Target Group's strategy to expand the property development business in the PRC.

The consideration of the Step Acquisition made by the Target Group was a cash consideration of RMB507,000.

Upon the completion of the above transaction, Lishui Fufeng, the former joint venture of the Target Company became the subsidiary of the Target Company.

The Step Acquisition was completed on 15 June 2017 (the "Completion Date"). In accordance with HKFRSs, the Target Group continued to share the results of Lishui Fufeng under the equity method of accounting during the period from 1 January 2017 to the Completion Date.

The fair value of the Target Group's 50% equity interest in Lishui Fufeng (collectively the "50% Joint Venture Shareholding") as at the Completion Date was RMB118,416,000 and the carrying amount of the Target Group's interest in the 50% Joint Venture Shareholding was RMB102,826,000. The difference between the fair value and the carrying amount of the 50% Joint Venture Shareholding as at the Completion Date was RMB15,590,000. Accordingly, gain of RMB15,590,000 has been recognised to the profit or loss and presented as "Gain on step acquisition" under "other income" in the consolidated statement of comprehensive income of the Target Group upon the deemed disposal of the 50% Joint Venture Shareholding.

Details of identifiable assets and liabilities as at the Completion Date were as follows:

	Carrying amount	Fair value
	RMB'000	*RMB'000*
Property, plant and equipment	163	163
Investment properties	292,000	292,000
Properties held under development	48,250	114,000
Prepayments and other receivables	6,458	6,458
Amounts due from related parties	12,552	12,552
Tax prepaid	758	758
Cash and bank balances	1,785	1,785
Trade and other payables	(52,256)	(52,256)
Amounts due to related parties	(49,930)	(49,930)
Deferred tax liabilities	(54,390)	(88,699)
Total identifiable net assets acquired		236,831
Less:		
Net assets attributed to non-controlling interests		(116,047)
Total identifiable net assets attributed to the Target Group acquired		120,784
Cash consideration paid		(507)
Cash and bank balances acquired		1,785
Net cash inflows arising from the Step Acquisition		1,278

	RMB'000
Purchase consideration	507
Interest in a joint venture forgone	118,416
Fair value of net assets acquired	(120,784)
Gain on bargain purchase arising from the Step Acquisition	(1,861)

The gain on bargain purchase was the variance between the consideration and the net asset value acquired after commercial negotiation with the Vendor.

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since its acquisition, Lishui Fufeng contributed no revenue and net profit of approximately RMB3,905,000 to the Target Group for the period from 15 June 2017 to 30 September 2017.

Had the combination been taken place on 1 January 2017, the Target Group would have no revenue and the net profits of RMB18,589,000 for the nine months ended 30 September 2017 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor are they intended to be a projection of future results.

29. Acquisition of additional interests in subsidiaries

(a) On 13 September 2017, the Target Group entered into a sale and purchase agreement with a non-controlling interest equity holder to further acquire of 19% equity share of Jingning Differ at a consideration of RMB4,119,000. The Target Group's effective interest in the Jingning Differ was changed from 51% to 70% and a loss arising from changes in ownership interests of approximately RMB6,881,000 was debited to other reserves.

(b) On 2 September 2017, the Target Group entered into a sale and purchase agreement with a non-controlling interests equity holder to further acquire of 19% equity share of Lishui Fufeng at a consideration of RMB9,635,000. The Target Group's effective interest in the Lishui Fufeng was changed from 51% to 70% and a gain arising from changes in ownership interests of approximately RMB36,105,000 was credited to other reserves.

30. Subsidiaries with material non-controlling interests

Details of the Target Group's subsidiaries that have material non-controlling interests and their summarised financial information are set out as below. The amounts disclosed are before any inter-company eliminations.

	Jingning Differ				Lishui Fufeng			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2014	2015	2016	2017	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests	–	49%	49%	30% *(note 29)*	–	–	–	30% *(note 29)*
Current assets	–	144,668	401,921	725,992	–	–	–	124,471
Non-current assets	–	2,106	4,557	1,305	–	–	–	308,148
Current liabilities	–	(147,086)	(118,670)	(741,783)	–	–	–	(101,424)
Non-current liabilities	–	–	(296,814)	–	–	–	–	(90,459)
Net (liabilities)/assets	–	(312)	(9,006)	(14,486)	–	–	–	240,736
Carrying amount of non-controlling interests	–	(153)	(4,413)	(4,346)	–	–	–	72,221

	Jingning Differ				Lishui Fufeng			
	Year ended 31 December			Nine months ended September	Year ended 31 December			Nine months ended September
	2014	2015	2016	2017	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	–	49%	49%	49%/30% *(note 29)*	–	49%	49%	49%/30% *(note 29)*
Revenue	–	–	–	–	–	–	–	–
(Loss)/profit for the year/period	–	(1,312)	(8,694)	(5,480)	–	–	–	25,724
Total comprehensive income for the year/period	–	(1,312)	(8,694)	(5,480)	–	–	–	25,724
(Loss)/profit allocated to non–controlling interests	–	(643)	(4,260)	(2,694)	–	–	–	1,913
Cash flow (used in)/generated from operating activities	–	(1,413)	310,738	366,935	–	–	–	(53,399)
Cash flow (used in)/generated from investing activities	–	(144,571)	(207,819)	(328,538)	–	–	–	(18,250)
Cash flow generated from/(used in) financing activities	–	146,903	(76,565)	(59,771)	–	–	–	72,986
Net cash inflow/(outflow)	–	919	26,354	(21,374)	–	–	–	1,337

31. Related party transactions

Save as disclosed elsewhere in this report, the Target Group had the following material related party transactions during the Track Record Period:

(i) Related party transactions

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Consultancy service fee *(note)*	–	–	700	400	–
Purchase of leasehold land interest *(note)*	–	131,358	–	–	–
Purchase of property, plant and equipment from related parties *(note)*	–	660	–	–	154

Note: related companies are controlled by Mr. Hong, the spouse of the shareholder of the Target Company.

(ii) Compensation of key management personnel

The emoluments of the director who is also identified as the sole member of key management of the Target Company during the Track Record Periods are set out in Note 8.

32. Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows from financing activities.

	1 January 2014	Financing cash flows	31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2014			
Amounts due to related parties	–	51	51

	1 January 2015	Financing cash flows	31 December 2015
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2015			
Amounts due to related parties	51	145,854	145,905

	1 January 2016	Financing cash flows	31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2016			
Amounts due to related parties	145,905	(76,451)	69,454

	1 January 2016	Financing cash flows	30 September 2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Nine months ended 30 September 2016			
Amounts due to related parties	145,905	(60,931)	84,974

	1 January 2017	Financing cash flows	Non-cash changes arising from acquisition of a subsidiary	30 September 2017
	RMB'000	*RMB'000*	*RMB'000* *(note 28)*	*RMB'000*
Nine months ended 30 September 2017				
Amounts due to related parties	69,454	(119,073)	49,930	311
Amount due to a director	–	515	–	515

33. Contingent liabilities

At the end of each reporting period, except elsewhere disclosed in this consolidated financial statements, the Target Group did not have any significant contingent liabilities.

34. Subsequent event

There is no significant event taken place subsequent to 30 September 2017.

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2017 and up to the date of this report.

(A) BACKGROUND

Set out below is the management discussion and analysis of the Target Group for the financial years ended 31 December 2014, 2015, 2016 and the nine months ended 30 September 2016 and 2017 (the "**Relevant Periods**"). As at the Latest Practicable Date, the Target Group comprised the Target Company and its subsidiaries including (i) the Cayman Subsidiary; (ii) the BVI Subsidiary; (iii) the HK Subsidiary A; (iv) the HK Subsidiary B; (v) the PRC Subsidiary A; (vi) the PRC Subsidiary B; (vii) the PRC Subsidiary C; (viii) the PRC Subsidiary D; and (ix) the PRC Subsidiary E. The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS ON TARGET GROUP

(1) General information

The Target Company is a company incorporated in the BVI with limited liability, and is engaged in investment holding which holds the equity interest in certain other subsidiaries, including the PRC Subsidiary D which currently owns a property development named Differ Sky Realm (鼎豐天境) and the PRC Subsidiary E which currently owns a property development named Chu Zhou Fu Cheng (處州府城).

The principal business of PRC Subsidiary C, PRC Subsidiary D and PRC Subsidiary E are listed as follows:

PRC Subsidiary C:	Dormant company. It will be engaged in property management and car park management services
PRC Subsidiary D:	(i) real estate development; (ii) real estate agency services; (iii) car park management; and (iv) property management
PRC Subsidiary E:	(i) tourism project development and investment; (ii) sales of tourism commodity; and (iii) cultural transmission.

Except the PRC Subsidiary C, PRC Subsidiary D and PRC Subsidiary E, the principal activities of other subsidiaries under the Target Group are investment holdings.

The major assets of the Target Group is the interest in property development named Differ Sky Realm (鼎豐天境) and the property development named Chu Zhou Fu Cheng (處州府城).

(a) Differ Sky Realm (鼎豐天境)

Differ Sky Realm (鼎豐天境) is situated at Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, the PRC. Differ Sky Realm (鼎豐天境) is mainly a residential development with total site area of approximately 99,728.77 sq.m. and is under construction. Upon completion of its construction, Differ Sky Realm (鼎豐天境) will have a total gross floor area of approximately 377,168.60 sq. m.

(b) Chu Zhou Fu Cheng (處州府城)

Chu Zhou Fu Cheng (處州府城) is situated at northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, the PRC. Chu Zhou Fu Cheng (處州府城) is a commercial cultural development with total site area of approximately 74,721.28 sq.m. and is under construction. Upon completion of its construction, Chu Zhou Fu Cheng (處州府城) will have a total gross floor area of approximately 94,510.50 sq m.

(2) Business and financial review

Set out below is the consolidated financial performance of the Target Group for the Relevant Periods as extracted from the accountants report as set out in Appendix II to this circular.

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	–	–	–	–
Share of result of a joint venture	–	52,724	14,192	15,465	10,910
(Loss)/profit for the year/period	(1)	51,003	5,200	9,479	18,589

(a) Revenue

Since the Target Group is still at the stage of development since its date of establishment, it has yet to record any revenue during the Relevant Periods.

(b) Share of results of a joint venture

For the financial years ended 31 December 2015 and 2016, the share of result of a joint venture was amounted to approximately RMB52,724,000 and approximately RMB14,192,000 respectively. For the 9 months period ended 30 September 2017, the share of result of a joint venture was amounted to approximately RMB10,910,000. Share of result of a joint venture recognised during the Relevant Periods mainly represented the fair value gain on investment properties held by the joint venture situated in the PRC being net off with other operating expenses incurred from joint venture during the Relevant Periods.

As advised by the Vendor, prior to the date of signing of the sales and purchase agreement on 15 June 2017 between the PRC Subsidiary B and the original shareholder (the "**Sale and Purchase Agreement**"), the PRC Subsidiary E was owned as to 50% by the PRC Subsidiary B and the interest in the Target Company was accounted for as a joint venture of the Target Group using equity interest. Upon completion of the Sale and Purchase Agreement, 1% issued share capital of the PRC Subsidiary E was acquired by PRC Subsidiary B and the PRC Subsidiary E was accounted as to 51% owned by PRC Subsidiary B and has been accounted for as a subsidiary of the Target Group in which the financial results has been consolidated into the financial statements of the Target Group.

(c) (Loss)/profit for the year/period

For the financial years ended 31 December 2014, 2015 and 2016, the Target Group generated a net loss of approximately RMB1,000, a net profit of approximately RMB51,003,000 and RMB5,200,000 respectively.

For the financial year ended 31 December 2015, the significant change from a net loss of approximately RMB1,000 for the year 2014 to a net profit of approximately RMB51,003,000 for the year 2015 was mainly due to the share of result of a joint venture, being the PRC Subsidiary E, amounted to approximately RMB52,724,000.

For the financial year ended 31 December 2016, the amount of net profit was decreased from approximately RMB51,003,000 for the year 2015 to approximately RMB5,200,000 for the year 2016. It was mainly due to (i) a decrease in the share of result of a joint venture from approximately RMB52,724,000 to approximately RMB14,192,000 and (ii) the increase in selling expenses from approximately RMB570,000 for the year 2015 to approximately RMB4,780,000 for the year 2016. As advised by the Vendor, the selling expenses was mainly referred to payment of salaries, sales commission and advertising expenses.

For the 9 months period ended 30 September 2017, the increase in net profit from approximately RMB9,479,000 for the 9 months period 30 September 2016 to RMB18,589,000 for the 9 months period 30 September 2017 was mainly due to the (i) the increase in other income from approximately RMB11,000 to approximately RMB15,748,000 which was attributable to gain on step acquisition of PRC Subsidiary E of approximately RMB15,590,000; (ii) gain on bargain purchase arising from acquisition of a subsidiary amounted to approximately RMB1,861,000; and (iii) the fair value gain on investment properties amounted to approximately RMB7,039,000.

Asset and liabilities

Set out below is the financial position of the Target Group for the Relevant Periods as extracted from the accountants report as set out in Appendix II to this circular:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	–	54,060	93,527	312,350
Current assets	50	145,543	404,273	695,710
Total assets	**50**	**199,603**	**497,800**	**1,008,060**
Current liabilities	51	147,101	415,613	740,026
Non-current liabilities	–	–	–	90,459
Total liabilities	**51**	**147,101**	**415,613**	**830,485**
Net assets	**(1)**	**52,502**	**82,187**	**177,575**

As stated above, the total assets of the Target Group as at 31 December 2015 amounted to approximately RMB199,603,000 is an aggregate value of (i) non-current asset amounted to approximately RMB54,060,000; and (ii) current assets amounted to approximately RMB145,543,000. The significant increase in total assets (approximately RMB199,603,000) and total liabilities of the Target Group as at 31 December 2015 (approximately RMB147,101,000) as compared with that of 31 December 2014 (assets: approximately RMB50,000; liabilities: approximately RMB51,000) was mainly due to the stage of initial setup in the year 2014. The total assets of the Target Group as at 31 December 2015 mainly comprised of (i) property, plant and equipment amounted to approximately RMB1,336,000; (ii) interest in a joint venture amounted to approximately RMB52,724,000; (iii) the properties held for development amount to approximately RMB141,412,000; (iv) the deposits, prepayments and other receivables and amount due from a joint venture of approximately RMB1,305,000 and RMB1,802,000 respectively; and (v) cash and cash equivalents amounted to approximately RMB1,024,000. As at 31 December 2015, the properties held for development mainly comprised the interest in four parcels of lands of Differ Sky Realm (鼎豐天境) as mentioned in the sub-section headed "*General information*" above. On the other hand, the total liabilities of the Target Group as at 31 December 2015 amounted to approximately RMB147,101,000 which mainly comprised of (i) trade payables of approximately RMB791,000; (ii) accruals, other payables and receipt in advance of approximately RMB405,000; and (iii) amounts due to related parties of approximately RMB145,905,000.

The total assets of the Target Group as at 31 December 2016 was amounted to approximately RMB497,800,000, it recorded an increase of approximately RMB298,197,000, representing approximately 149.40% when compare to the total asset value of the corresponding period. The total assets of the Target Group as at 31 December 2016 is an aggregate sum of (i) non-current assets amounted to approximately RMB93,527,000 and (ii) current assets amounted to approximately RMB404,273,000. The increase in total assets of the Target Group as at 31 December 2016 as compared to that of 31 December 2015 was mainly attributable to (i) the increase in the interest in a joint venture of approximately RMB39,192,000 to approximately RMB91,916,000; (ii) the increase in the properties held under development of approximately RMB202,440,000; (iii) the increase in deposits, prepayments and other receivables of approximately RMB21,804,000 to approximately RMB23,109,000; (iv) the increase in amount due from a joint venture of approximately RMB21,888,000 to approximately RMB23,690,000; (v) the increase in amounts due from related parties of RMB48,053,000; and (vi) the increase in cash and cash equivalents of RMB26,292,000 to approximately RMB27,316,000. As at 31 December 2016, the construction work of Differ Sky Realm (鼎豐天境) was commenced in phases starting from early 2016 and the relevant cost of the properties held for development (being the land costs, construction cost and other related costs capitalized for the properties development) were allocated to the properties under development. In addition, the increase in deposits, prepayments and other receivables was mainly attributable to the increase in deposits and prepaid other taxes and the increase in cash and cash equivalents was mainly due to the cash generated from proceeds from pre-sales of properties of Differ Sky Realm (鼎豐天境). On the other hand, the total liabilities of the Target Group as at 31 December 2016 was amounted to approximately RMB415,613,000. It recorded an increase of approximately RMB268,512,000 or 182.54% when compare to the total liabilities value of the corresponding period. The increase in total liabilities of the Target Group as at 31 December 2016 as compared to that of 31 December 2015 was mainly attributable to the increase in accruals, other payables and receipt in advance from approximately RMB405,000 to approximately RMB298,851,000.

As at 30 September 2017, the total assets of the Target Group was amounted to approximately RMB1,008,060,000 and recorded an increase of approximately RMB510,260,000 or 102.50% when compare to the total asset value as at 31 December 2016. The total liabilities of the Target Group as at 30 September 2017 is aggregate sum of (i) non-current assets amounted to approximately RMB312,350,000; and (ii) current assets amounted to approximately RMB695,710,000. The significant increase in total assets of the Target Group as at 30 September 2017 when compare to the total asset value of as at 31 December 2016, as advised by the Vendor, it was mainly attributable to (i) the increase in investment properties of approximately RMB308,000,000; (ii) the increase in properties under development of approximately RMB298,407,000 to approximately RMB500,847,000; and (iii) the increase in deposits, prepayments and other receivables of approximately RMB91,051,000 to approximately RMB114,160,000. As advised by the Vendor, the increase in deposits, prepayments and other receivables was mainly due to the increase in the amount due from Dingfeng Commercial Management Company Limited (鼎豐商業管理有限公司) of approximately RMB74.8 million, being a company previously owned as to 60% by the Vendor and has already been disposed to an Independent Third Party in early 2017, which has been committed by the Vendor to settle on or before the Completion Date as set out in the conditions precedent under the Agreement. In addition, concerning the investment properties of the Target Group as at 30 September 2017 that is the properties interest of Chu Zhou Fu Cheng (處州府城) (as mentioned in the sub-section headed "*General information*") held by the Target Group for rental purpose in the future, it is advised that the construction work was commenced in phases starting from early 2017 and is expected to be completed by 30 September 2018 according to the Contract for Grant of Land Use Rights. Further, the properties held for development of approximately RMB41,403,000 as at 30 September 2017 represented one parcel of land of Differ Sky Realm (鼎豐天境) for development in the final phase. Regarding the total liabilities of the Target Group as at 30 September 2017, it was amounted to approximately RMB830,485,000, representing an increase by approximately RMB414,872,000 or 99.82% when compared to that of the year ended 31 December 2016. It is noted that such increase was mainly due to the increase in current liabilities as a result of the increase in accruals, other payables and receipt in advance.

(3) Segment information

The Target Group has only one operating and reportable segment during the financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017.

(4) Contingent liabilities

As at 31 December 2014, 2015, 2016 and 30 September 2017, the Target Group had no material contingent liabilities.

(5) Charge on assets

As at 31 December 2014, 2015, 2016 and 30 September 2017, leasehold interests in land included in properties held for development with a carrying value of approximately RMB Nil, RMB Nil, RMB41,403,000 and RMB41,403,000 have been pledged to secure a bank credit limit granted to a related company, which is controlled by Mr. Hong Mingxian, the spouse of the shareholder of the Target Company.

(6) Capital commitments

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group had capital commitments, which were contracted but not provided for, in respect of the property development of Nil, RMB366,549,000, RMB291,975,000 and RMB634,155,000 respectively.

(7) Foreign exchange exposure

During the Relevant Periods, the Target Group operated in the PRC and most of the transactions denominated and settled in RMB. In this respect, there is no significant currency mismatch in their operational cashflows and the Target Group is not exposed to any significant foreign currency exchange risk in its operations.

(8) Employees and remuneration policies

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group had a total of Nil, 33, 56 and 121 employees respectively. The staff costs (included Directors' emoluments) were approximately Nil, RMB694,000, RMB3,674,000 and RMB9,925,000 for the year ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017. The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

(9) Treasury policies

The Target Group continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

(10) Material acquisition or disposal of subsidiaries and affiliated companies

Save as disclosed in the note 28 and 29 to the Accountants' report as set out in Appendix II to this circular, there has no other material acquisition or disposal of subsidiaries and affiliated companies during the three years ended 31 December 2016 and nine months ended 30 September 2017.

(11) Liquidity and capital resources

During the three years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017, the Target Group principally finance its business through capital contribution from shareholders and pre-sales proceeds from the residential property projects of Differ Sky Realm (鼎豐天境).

(12) Future prospect of the Enlarged Group

The Group is a provider of short to medium-term financing and financing-related solutions in the PRC and Hong Kong and is principally engaged in the provision of (i) financing guarantee services; (ii) express loan services; (iii) financial services; (iv) finance lease services; and (v) asset management business.

As disclosed in the annual report of the Company for 2016, the Group has been putting greater effort on expanding its business and is actively looking for the good quality assets which potentially offer high-percentage returns. In accordance with the development strategy of the Group, the Group would like to tap into the property development market in the PRC. This should give diversification to the Group's existing business, in order to bring good returns to the Shareholders. Besides, the Directors consider that the principal businesses engaged by the operative companies in the Target Group, namely real estate development, will bring in new revenue stream to the Group in future. Currently, part of the properties under development currently held by the Target Group have been offered for pre-sale and it is anticipated that upon Completion, part of the aforesaid properties will be offered for sale and the remaining part will be retained by the Group for investment purposes.

To conclude, the Directors consider that the Acquisition allows the Group to strengthen its asset base and further develop the property development business in the PRC and enjoy the capital appreciation of the Properties.

(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of assets and liabilities has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect on the assets and liabilities of the Group as if the Acquisition had been taken place on 30 June 2017.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the unaudited consolidated statement of financial position of the Group as at 30 June 2017 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2017 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of financial position of the Target Group as at 30 September 2017 as extracted from the accountants' report as set out in Appendix II to this circular as if the Acquisition had been completed on 30 June 2017.

As the Group and the Target Group were under common control of Mr. Hong via the Vendor through a trust arrangement and Mr. Hong will continue to control the Enlarged Group upon completion of the Acquisition, the Acquisition is considered as a combination of businesses under common control and accounted for under the principles of merger accounting.

The unaudited pro forma consolidated statement of assets and liabilities is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The accompanying unaudited pro forma consolidated statement of assets and liabilities has been prepared for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the unaudited pro forma consolidated statement of assets and liabilities may not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2017 nor purport to predict the Enlarged Group's future financial position.

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

			Pro forma adjustments				
	The Group as at 30 June 2017	The Target Group as at 30 September 2017	Transaction costs related to the Acquisition	Settlement of other receivables (condition precedent)	Consideration for the Acquisition	Reclassification of accounts	The Enlarged Group as at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	9,751	2,456					12,207
Investment properties	–	308,000					308,000
Prepaid land lease	6,308	–					6,308
Prepayment for acquisition of property, plant and equipment	–	1,894					1,894
Interests in an associate	20,150	–					20,150
Finance lease, loan and account receivables	329,562	–					329,562
Goodwill	33,400	–					33,400
Available-for-sale financial assets	142,530	–					142,530
	541,701	312,350					854,051
Current assets							
Properties held for development	–	41,403					41,403
Properties under development	–	500,847					500,847
Finance lease, loan and account receivables	1,086,549	–					1,086,549
Prepayments, deposits and other receivables	182,983	114,160		(74,740)			222,403
Amounts due from related parties	–	18,283			(18,283)		–
Tax prepaid	–	12,459					12,459
Restricted bank deposits	87,913	–					87,913
Cash and bank balances	28,114	8,558	(2,057)	74,740	(26,057)		83,298
	1,385,559	695,710					2,034,872

	The Group as at 30 June 2017	The Target Group as at 30 September 2017	Pro forma adjustments: Transaction costs related to the Acquisition	Settlement of other receivables (condition precedent)	Consideration for the Acquisition	Reclassification of accounts	The Enlarged Group as at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*
Current liabilities							
Trade payables	–	52,132					52,132
Accruals, other payables, deposits received, receipt in advance and deferred income	129,812	686,603					816,415
Amount due to a director	–	515				(204)	311
Amounts due to related parties	–	311			289,594	204	290,109
Provision for taxation	27,858	465					28,323
Bank and other borrowings	198,964	–					198,964
Corporate bonds	49,456	–					49,456
	406,090	740,026					1,435,710
Net current assets/(liabilities)	979,469	(44,316)					599,162
Total assets less current liabilities	1,521,170	268,034					1,453,213
Non-current liabilities							
Deposits received and deferred income	33,215	–					33,215
Bank borrowings	90,638	–					90,638
Corporate bonds	170,412	–					170,412
Deferred tax liabilities	–	90,459					90,459
	294,265	90,459					384,724
Net assets	1,226,905	177,575					1,068,489

Notes to unaudited pro forma consolidated statement of assets and liabilities

(1) The balances were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published unaudited interim report for the six months ended 30 June 2017.

(2) The balances were extracted from the statement of financial position of the Target Group as at 30 September 2017 as set out in the Appendix II to this circular.

(3) The pro forma adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK$2,449,000 (approximately equivalent to RMB2,057,000, based on the exchange rate of HK$1.00 to RMB0.84). This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

(4) Pursuant to the Agreement entered into between the Purchaser and Vendor in respect of the Acquisition, the Completion subject to the fulfilment (or waiver, if applicable) of certain conditions precedent as set out in the Agreement. Amount due to the Target Group by Dingfeng Commercial Management Company Limited as at the Completion Date have to be settled to the satisfaction of the Purchaser, which may be waived by the Purchaser in writing at its discretion. The outstanding amount owed to the Target Group was approximately RMB74,740,000 as at 30 September 2017.

(5) Pursuant to the Agreement, the Consideration of RMB375,000,000 shall be settled by:

(i) issue and allot 84,000,000 ordinary shares of the Company each at HK$0.582 to the Vendor or her nominee (approximately equivalent to RMB41,066,000, based on the exchange rate of HK$1.00 to RMB0.84);

(ii) the Purchaser to pay on behalf of the Vendor, Mr. Hong and their respective associate companies to the Target Group, to satisfy in part or in whole (in the sole and absolute discretion of the Purchaser) of the outstanding amount owed by the Vendor, Mr. Hong and their respective associate companies to the Target Group as at the Completion Date;

(iii) RMB90,000,000 shall be retained by the Purchaser on the Completion Date until the Existing Charges over the Target Group's assets in respect of a loan facility granted to a related company controlled by Mr. Hong to be released by the bank and if the Existing Charge is not fully release within one year after the Completion Date, the Purchaser shall has the right at its own discretion to deduct such guarantee sum payable under the Existing Charge from the Retention Sum, the Purchaser will return such remaining amount to the Vendor, and

(iv) the remaining balance, if any, of the Consideration after deducting the amount as stated in (i), (ii) and (iii) above from the total Consideration, to be settled in cash within 2 years from the Completion Date.

The pro forma adjustment represents netting off balances due from Mr. Hong's associate companies to the Target Group against the current account of the Vendor as mentioned in note (ii) and the remaining Consideration to be settled in form of cash or credited to current account of the Vendor after deducting amounts as mentioned in notes (i) and (ii) as follows:

	Notes	*RMB'000*	*RMB'000*
Consideration:			
Consideration per Agreement			375,000
Fair value of the Consideration Shares	(a)		4,798
Total consideration			379,798
Consideration to be settled by:			
Consideration Shares	(a)	(45,864)	
Netting off by amounts owed by Mr. Hong's associate companies to the Target Group	(b)	(18,283)	(64,147)
Remaining Consideration to be:	(c)		315,651
Settled by cash	(d)	(26,057)	
Credited to current account of the Vendor	(d)	(289,594)	(315,651)
			–

(a) For the purpose of this unaudited pro forma consolidated statements of assets and liabilities, the fair value of the 84,000,000 Consideration Shares is calculated based on the closing price of HK$0.65 per share of the Company as quoted on the Stock Exchange on 30 June 2017, which is HK$0.068 higher than the share issue price pursuant to the Agreement (e.g. HK$0.582), resulting the fair value of consideration to be adjusted by HK$5,712,000 (approximately equivalent to RMB4,798,000, based on the exchange rate of HK$1.00 to RMB0.84).

84,000,000 Consideration Shares of the Company will be issued at HK$0.65 with a total share consideration of approximately HK$54,600,000 (approximately equivalent to RMB45,864,000, based on the exchange rate of HK$1.00 to RMB0.84).

(b) The amount represents the balances owed by Mr. Hong's associate companies to the Target Group amounted to RMB18,283,000 as at 30 September 2017 to be net off against part of the Consideration.

(c) The amount represents the remaining balance of Consideration after deducting amounts as mentioned in notes (i) and (ii) as presented from the calculation above, to be settled by cash and credited to amount payable to the Vendor.

(d) The Group did not have sufficient cash and bank balances as at 30 September 2017 to settle the remaining Consideration of RMB315,651,000 in full. For the purpose of this unaudited pro forma consolidated statements of assets and liabilities, RMB26,057,000 would be satisfied by cash upon Completion and the remaining balance of RMB289,594,000 would be credited to current account of the Vendor.

(6) The pro forma adjustment represents the reclassification of accounts among the current accounts due to Mr. Hong (presented as a related party of the Target Group but the director of the Enlarged Group) and the Vendor (presented as a director of the Target Group but a related party of the Enlarged Group).

(7) As the Group and the Target Group are controlled by Mr. Hong together before and after the Acquisition, the Group will account for the Acquisition as a business combination under common control using the principles of merger accounting in accordance with the Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the HKICPA. Under the principles of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party. The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded will be recognised directly in equity as part of the merger reserve. Acquisition costs are expensed as incurred.

(8) In the opinion of the directors of the Company, the fair value of contingent liabilities of the Target Group would be insignificant for the recognition on this unaudited pro forma consolidated statement of assets and liabilities.

(9) Other than the above adjustments, no other adjustments had been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2017. Unless stated otherwise, the adjustments above are not expected to have a continuing effect on the Enlarged Group.

(C) REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant, in respect of the unaudited pro forma consolidated statement of assets and liabilities as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANTS' ASSUARNCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Differ Group Holding Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") and Differ Cultural Tourism Development Company Limited (the "Target Company") and its subsidiaries (the "Target Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out on pages IV-1 to IV-5 of the circular dated 23 December 2017 (the "Circular") issued by the Company, in connection with the proposed acquisition of the entire equity interest of the Target Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Company's consolidated financial position as at 30 June 2017 as if the Proposed Acquisition had taken place on 30 June 2017. As part of this process, information about the Company's consolidated financial position has been extracted by the directors of the Company from the Company's unaudited interim report for the six months ended 30 June 2017 which was published on 30 August 2017.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 ''Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements'' issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

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

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

23 December 2017

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of values of the properties of the Group as at 30 September 2017.

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

The Directors
Differ Group Holding Company Limited
Room 1602, Euro Trade Centre
13-14 Connaught Road Central
Central
Hong Kong

23 December 2017

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value the properties situated in the People's Republic of China ("PRC") which are to be acquired by Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2017 (the "valuation date") for inclusion in a circular.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean "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".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

VALUATION METHODOLOGY

In valuing the properties, which are to be acquired by the Group under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the market and have also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments.

TITLE INVESTIGATION

We have been provided with copies of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and the legal opinion issued by the Group's PRC legal adviser, Beijing Tian Yuan Law Firm (北京市天元律師事務所), regarding the titles to the properties.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, estimated completion dates, total and outstanding construction costs, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We have also sought confirmation from the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In the course of our valuation, unless otherwise stated, we have assumed that transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any premium payable have already been fully paid. We have also assumed that, unless otherwise stated, the owners of the properties have good legal titles to the properties and have free and uninterrupted rights to use, occupy, transfer, lease or mortgage the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the properties. Our inspections of the properties were undertaken by our Ms. Toma Yang (who is a China registered real estate appraiser) from 18 to 20 September 2017. During the course of our inspections, we did not note any serious defects. Moreover, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB").

We enclose herewith our summary of values and valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Anthony C.K. Lau
MRICS MHKIS RPS (GP)
Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 24 years' experience in valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 30 September 2017
	Properties to be acquired by the Group under development in the PRC	
1.	Chu Zhou Fu Cheng (處州府城) (Land Nos. 33100001032GB00208 and 33100001032GB00209), Northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, PRC	**RMB428,000,000**
2.	Differ Sky Realm (鼎豐天境) (Land Nos. R21-08-1, R21-08-2, R21-08-3 and R21-08-4), Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, PRC	**RMB800,000,000**
	Total:	**RMB1,228,000,000**

VALUATION CERTIFICATE

Properties to be acquired by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
1.	Chu Zhou Fu Cheng (處州府城) (Land Nos. 33100001032GB00208 and 33100001032GB00209), Northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, PRC	The property is a large-scale commercial/cultural development erected on two parcels of land with a total site area of approximately 74,721.28 sq m. The property is located at the intersection of Dayou Street and Dayang Road, near Oujiang River. The property is surrounded by a number of tourist attractions such as YingXingLou (應星樓), Chuzhoufu Wall (處州府城牆), Nanming Gate (南名門) and Bingjiang Park. Taxis and buses are accessible to the property along Dayang Road. According to the information provided by the Group, the property will comprise 31 blocks of 1 to 3-storey commercial buildings plus 1-level of basement for commercial and storage use, ancillary cultural facilities and approximately 444 basement civil defense car parking spaces with a total gross floor area ("GFA") of approximately 94,510.50 sq m, the breakdown of which is as follows:	As at the valuation date, the property was under construction.	RMB428,000,000

Usage	Approximate GFA *(sq m)*
Commercial	35,932.87
Basement	26,882.11
Ancillary cultural facilities	1,855.00
Other (including civil defense car parking spaces)	29,840.52
Total	**94,510.50**

As advised by the Group, the property is scheduled to be completed in September 2018.

The land use rights of the property were granted for terms expiring on 29 October 2065 and 29 October 2055 for public management and public service use and commercial service use respectively.

Notes:

1. Pursuant to two Contracts for Grant of Land Use Rights – Nos. 3311012014A21011 and 3311012014A21012 entered into between Lishui Land and Resources Bureau (麗水市國土資源局) and Lishui Fu Feng Cultural Tours Limited (麗水市富豐文化旅遊有限公司) ("Lishui Fu Feng") on 29 June 2015, Lishui Fu Feng has agreed to purchase the land use rights of two parcels of land with a total site area of approximately 74,721 sq.m. at a total consideration of RMB96,000,000.

2. Pursuant to the two Real Estate Certificates – Zhe (2016) Li Shui Shi Bu Dong Chan Quan Di Nos. 0014709 and 0014716 dated 20 December 2016 and 21 December 2016 respectively, the land use rights of two parcels of land of the property with a site area of 74,721.28 sq.m. have been granted to Lishui Fu Feng for terms expiring on 29 October 2065 and 29 October 2055 for public management and public service use and commercial service use respectively.

3. Pursuant to the two Construction Land Permits – Li Shui Shi (Xian) [2014] Li Shi Tu Chu Zi Di Nos. 014 and 015 dated 17 October 2016, two parcels of land with a total site area of approximately 74,721 sq.m. were permitted for commercial, technology and educational use.

4. Pursuant to the Construction Land Planning Permit – Li Gui De Zi Di N. (2016) 10053 issued by Lishui Urban and Rural Planning Bureau on 26 October 2016, Lishui Fu Feng was permitted to use two parcels of land with a total site area of approximately 74,721 sq.m. for commercial, cultural, technology and educational use.

5. Pursuant to the Construction Works Planning Permit – Li Gui Jian Zi Di (2017) 10016 dated 24 May 2017, the total approved construction scale of the property is approximately 43,227.18 sq.m.

6. Pursuant to the Construction Works Commencement Permit – No. 331102201707250101 dated 25 July 2017, the construction works of the property with a construction scale of approximately 94,510.5 sq.m. were permitted for commencement.

7. As advised by the Group, the total construction cost expended as at the valuation date was approximately RMB35,000,000 and the estimated outstanding construction cost for completion of the property will be RMB300,000,000. We have taken into account the aforesaid amounts in our valuation.

8. The market value of the property as if completed as at the valuation date is in the sum of RMB977,000,000.

9. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

   i. Lishui Fu Feng has obtained the land use rights of the property and is the legal owner of the land;

   ii. the property is not subject to any guarantee, mortgage, seizure or other encumbrances;

   iii. Lishui Fu Feng is entitled to transfer, lease, mortgage or by other means to dispose of the property subject to the terms of the Contracts for Grant of Land Use Rights and other requirements of the local authorities;

   iv. Lishui Fu Feng has obtained the requisite permits and approvals for the construction of the property; and

   v. Lishui Fu Feng obtained the Construction Works Commencement Permit on 25 July 2017, which was one year behind the commencement date as stipulated in the Contracts for Grant of Land Use Rights. As advised by Lishui Fu Feng, they have not received any notice in relation to the payment of idle land charge, and they were also not subject to any investigation or penalty from the Land and Resources Bureau due to idle land.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2017
2.	Differ Sky Realm (鼎豐天境) (Land Nos. R21-08-1, R21-08-2, R21-08-3 and R21-08-4), Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, PRC	The property is a large-scale residential development erected on four parcels of land with a total site area of approximately 99,728.77 sq m. The property is located in the northeast of the city center of Jingning She. The property is surrounded by a number of new developments such as Jingning Stadium, Phoenix Ancient Town (鳳凰古鎮), Sanyuesan Square (三月三廣場). It takes about a 10-minute drive from the property to the city center of Jingning Autonomous County. According to the information provided by the Group, the property will be completed in four phases and accommodate 25 blocks of high-rise apartment buildings, ancillary commercial areas, storage spaces, basement car parking spaces and other ancillary facilities. Upon completion the property will have a total gross floor area of approximately 377,168.60 sq m, the breakdown of which is as follows:	As at the valuation date, the property was under construction.	RMB800,000,000

Usage	Approximate GFA *(sq m)*
Residential	258,657.76
Commercial	16,101.40
Storage (1,578 spaces)	14,792.96
Car Parking Space (1,819 bays)	82,699.61
Ancillary facilities	4,916.87
Total	**377,168.60**

As advised by the Group, the property is scheduled to be completed in phases between May 2018 and May 2021.

The land use rights of the property were granted for a term expiring on 19 December 2083 for residential use.

Notes:

1. Pursuant to the two Contracts for Grant of Land Use Rights – Nos. 3311272013A21042 and 3311272013A21044 entered into between Jingning She Autonomous County Land and Resources Bureau and Jingning Outdoor Residence Tour Investment Development Company Limited (景寧外舍古鎮旅遊投資發展有限公司) ("Jingning Outdoor") on 20 December 2013, Jingning Outdoor has agreed to purchase the land use rights of two parcels of land with a total site area of 276,602.67 sq m at a consideration of RMB200,000,000.

   As advised by the Group, the property only comprises portion of the site area as mentioned in the said contracts.

2. Pursuant to the Confirmation Letter on the State-owned Land Use Rights of Cuitaoju Project entered into between Jingning Outdoor and Jingning Differ Real Estate Limited (景寧鼎豐置業有限公司) ("Jingning Differ") on 21 December 2017, Jingning Outdoor has confirmed to transfer the land use rights of four parcels of land with a total site area of 99,728.77 sq m to Jingning Differ at a consideration of RMB131,357,725.87.

   Pursuant to the legal opinion issued by the Group's PRC legal adviser, Differ Sky Realm is also known as Cuitaoju project and the aforesaid consideration has been fully paid.

3. Pursuant to the four State-owned Land Use Rights Certificates, the land use rights of four parcels of land with a total site area of approximately 99,728.77 sq.m. have been granted to Jingning Differ for a term expiring on 19 December 2083 for residential use. Details of the said certificates are as follows:

Certificate No.	**Lot No.**	**Site Area** *(sq m)*	**Issuance Date**
Jing Guo Yong (2015) No. 02113	R21-08-4	25,601.79	22 September 2015
Jing Guo Yong (2015) No. 02114	R21-08-2	25,700.74	22 September 2015
Jing Guo Yong (2015) No. 02115	R21-08-1	23,941.31	22 September 2015
Jing Guo Yong (2015) No. 02116	R21-08-3	24,484.93	22 September 2015
Total		**99,728.77**	

4. Pursuant to the four Construction Land Planning Permits, Jingning Differ was permitted to use four parcels of land with a total site area of approximately 99,728.77 sq.m. for residential and commercial service uses. Details of the said permits are as follows:

Permit No.	**Site Area** *(sq m)*	**Issuance Date**
De Zi Di No. 331127201500061	23,941.31	3 September 2015
De Zi Di No. 331127201500062	25,700.74	3 September 2015
De Zi Di No. 331127201500063	24,484.93	3 September 2015
De Zi Di No. 331127201500064	25,601.79	3 September 2015
Total	**99,728.77**	

5. Pursuant to the three Construction Works Planning Permits – Jian Zi Di Nos. 331127201500061, 331127201600166 and 331127201600305 dated between 29 December 2015 and 29 December 2016, the total approved construction scale of three parcels of land is approximately 262,836.36 sq.m.

   As advised by Jingning Differ, they are in the process of applying for the Construction Works Planning Permit for Lot No. R21-08-4 of the property. The said Construction Works Planning Permit is expected to be obtained in December 2017.

6. Pursuant to the three Construction Works Commencement Permits – Nos. 332529201601220101, 331127201610200101 and 331127201705100101, three parcels of land with a total construction scale of approximately 262,835.75 sq.m. were permitted for commencement.

   As advised by Jingning Differ, they are in the process of applying for the Construction Works Commencement Permit for Lot No. R21-08-4 of the property. The said Construction Works Commencement Permit is expected to be obtained in December 2017.

7. Pursuant to the five Commodity Housing Pre-Sale Permits – Jing Shou Xu Zi (2016) Di Nos. 0001, 0002, 0004, 0008 and 00424 dated between 4 February 2016 and 22 June 2017, portion of the property with a total GFA of approximately 169,412.77 sq.m. were permitted for pre-sale.

8. As advised by the Group, portion of the property, including residential areas of approximately 138,981.96 sq.m., commercial areas of approximately 518.43 sq.m., 873 storage spaces and 1,070 car parking spaces, has been pre-sold at a total consideration of approximately RMB1,000,000,000. We have taken into account the aforesaid amount in our valuation.

9. As advised by the Group, the total construction cost expended as at the valuation date was approximately RMB215,000,000 and the estimated outstanding construction cost for completion of the property will be RMB796,000,000. We have taken into account the aforesaid amounts in our valuation.

10. The market value of the property as if completed as at the valuation date is in the sum of RMB2,140,000,000.

11. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

    i. Jingning Differ has obtained the land use rights of the property and is the legal owner of the land;

    ii. except for Lot No. R21-08-4 of the property which is subject to a mortgage in favour of China Merchants Bank Company Limited Quanzhou Fengze Branch (招商銀行股份有限公司泉州豐澤支行) for a term due to 24 May 2018, the remaining three parcels of land are not subject to any guarantee, mortgage, seizure or other encumbrances;

    iii. except for Lot No. R21-08-4 of the property, Jingning Differ is entitled to transfer, lease, mortgage or by other means to dispose of the property subject to the terms of the Contracts for Grant of Land Use Rights;

    iv. after obtaining the written consent from the mortgagee, Jingning Differ is entitled to transfer (including but not limited to sale, gift or exchange), lease, re-mortgage or dispose of Lot No. R21-08-4 of the property subject to the terms of the Contracts for Grant of Land Use Rights; and

    v. Jingning Differ has obtained the requisite permits and approvals for the construction of the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Companies" contained in the Listing Rules, were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation *(Note 1)*	1,884,200,000	–	1,884,200,000	44.48%
	Beneficial owner	–	6,400,000	6,400,000	0.15%
	Interest of spouse *(Note 2)*	84,000,000		84,000,000	1.98%
Mr. Ng Chi Chung	Interest in controlled corporation *(Note 3)*	1,115,800,000	–	1,115,800,000	26.34%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.43%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,884,200,000 Shares under the SFO.

2. Mr. Hong is the spouse of the Vendor. Mr. Hong is therefore deemed to be interested in all the Shares owned by the Vendor. For details please refer to section 3 below.

3. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Ng Chi Chung. By virtue of the SFO, Mr. Ng Chi Chung is deemed to be interested in the 1,115,800,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner *(Note 1)*	1,884,200,000	44.48%
the Vendor	Interest of spouse *(Note 2)*	1,890,600,000	44.63%
	Beneficial owner	84,000,000	1.98%
Ever Ultimate Limited (“**Ever Ultimate**”)	Beneficial owner *(Note 3)*	1,115,800,000	26.34%
Ms. Ting Pui Shan (“**Ms. Ting**”)	Interest of spouse *(Note 4)*	1,134,298,000	26.77%
Jianda Value Investment Fund L.P. (“**Jianda**”)	Person having a security interest in shares *(Note 5)*	350,000,000	8.26%
Caitong International Investment Co., Limited	Person having a security interest in shares *(Note 5)*	350,000,000	8.26%
Cinda International Holdings Limited	Person having a security interest in shares *(Note 5)*	350,000,000	8.26%

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Caitong Securities Co., Limited	Person having a security interest in shares *(Note 5)*	750,000,000	17.71%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國浙江省財政廳)	Person having a security interest in shares *(Note 5)*	750,000,000	17.71%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,884,200,000 Shares under the SFO.

2. The Vendor is the spouse of Mr. Hong.

3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.

4. Ms. Ting is the spouse of Mr. Ng.

5. On 14 December 2017, Ever Ultimate had executed an account charge in favour of Jianda, being the lender to a term loan, pursuant to which Ever Ultimate charged the securities of at least 350,000,000 Shares and assets in the securities account opened by Ever Ultimate with Cinda International Securities Limited as a security for the repayment obligation of the Company under a term loan. On the same date, Ever Ultimate had executed on share and account charge in favour of Caitong Securities (Hong Kong) Co., Limited, being the lender to a term loan, pursuant to which Ever Ultimate charged the securities of at least 400,000,000 Shares and assets in the securities account opened by Ever Ultimate with Caitong International Securities Co., Limited as a security for the repayment obligation of the Company under a term loan.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

6. EXPERTS AND CONSENTS

The following is the qualifications of the expert who have given opinions or advice, which is contained in this circular:

Names	Qualifications
BDO Limited	Certified Public Accountants
Euto Capital Partners Limited	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
Savills Valuation and Professional Services Limited	an independent property valuer

As at the Latest Practicable Date, each of BDO Limited, Euto Capital and Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which it appear.

As at the Latest Practicable Date, each of BDO Limited, Euto Capital, and Savills has no shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of BDO Limited, Euto Capital and Savills has no interest, either directly or indirectly, in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group and the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the entrusted loan agreement dated 8 December 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門譽通貿易有限公司 (Xiamen Yu Tong Trading Company Limited*) ("**Xiamen Yu Tong**"), an Independent Third Party, as the borrower, and Xiamen Differ Venture Capital Company Limited* (廈門市鼎豐創業投資有限公司) ("**Differ VC**") as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB15,000,000 granted by Differ VC to the borrower through the bank for a term of 12 months at the interest rate of 1% per month;

(b) the entrusted loan agreement dated 16 December 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in property development in the PRC as the borrower, and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB60,000,000 granted by Differ VC to the borrower through the bank for a term of 6 months at the interest rate of 1.45% per month;

(c) the entrusted loan agreement dated 17 December 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Yu Tong, an Independent Third Party, as the borrower, and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB60,000,000 granted by Differ VC to the borrower through the bank for a term of 9 months at the interest rate of 1.45% per month;

(d) the entrusted loan agreement dated 6 January 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in trading of commodity and construction material in the PRC, as the borrower, and 嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Financial Lease Limited*) ("**Jiashi Xiamen**"), an indirect non wholly-owned subsidiary of the Company, as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB33,000,000 granted by Jiashi Xiamen to the borrower through the bank for a term of 12 months at the interest rate of 9.2% per annum;

(e) the entrusted loan agreement dated 8 January 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in trading of commodity and construction material in the PRC, as the borrower, and Jiashi Xiamen as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB32,000,000 granted by Jiashi Xiamen to the borrower through the bank for a term of 12 months at the interest rate of 9.2% per annum;

(f) the entrusted loan agreement dated 8 January 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門豪豐投資有限公司 (Xiamen Hao Feng Investment Company Limited) ("**Xiamen Haofeng**") as the borrower, and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB22,800,000 granted by Differ VC to the borrower through the bank for a term of 12 months at the interest rate of 17.0% per annum;

(g) the entrusted loan master agreement dated 20 April 2016 entered into among Xiamen Haofeng and廈門倫輝貿易有限公司(Xiamen Lun Hui Trading Limited*) ("**Xiamen Lunhui**") as the borrowers, Differ VC and 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited*) ("**Differ Dai**"), an indirect wholly-owned subsidiary of the Company, as the entrusting parties, in relation to the granting of the entrusted loans with an aggregate amount of up to RMB180,000,000 granted by Differ VC and Differ Dai to the borrowers through the bank for a term of 24 months at the interest rate of 17.0% per annum;

(h) the entrusted loan agreement dated 20 April 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Haofeng as the borrower, and Differ VC, as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB40,300,000 granted by Differ VC to the borrower through the bank for a term of 12 months at the interest rate of 17.0% per annum;

(i) the entrusted loan agreement dated 20 April 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Lunhui as the borrower, and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB20,370,000 granted by Differ VC to the borrower through the bank for a term of 12 months at the interest rate of 17.0% per annum;

(j) the subscription and placing agreement ("**Subscription Agreement**") dated 6 May 2016 entered into between the Company as the issuer, Champion Sense Limited ("**Huarong Subscriber**") and Jianda Value Investment Fund L.P. ("**Cinda Subscriber**"), both being Independent Third Parties, as subscribers, and, Cinda International Securities Limited, an Independent Third Party, as the placing agent, pursuant to which Huarong Subscriber agreed to subscribe for bonds in the aggregate principal amount of up to US$20,000,000 and Cinda Subscriber agreed to subscribe for the bonds in the aggregate principal amount of up to US$10,000,000 and the placing agent agreed to procure placees, on a best efforts basis, to subscribe for bonds in the aggregate principal amount of up to US$20,000,000;

(k) the Existing Charge dated 13 May 2016 executed by the PRC Subsidiary D in respect of certain land held by the PRC Subsidiary D in favour of a commercial bank in the PRC as security for the loan facility in the sum of RMB90 million granted by such bank to the Debtor 1;

(l) the supplemental deed ("**Supplemental Deed**") dated 18 May 2016 to amend and vary certain terms of the Subscription Agreement: (i) the placing period, to the period commencing from the date of execution of the Supplemental Deed for a period of three weeks and ending on 8 June 2016, unless the parties to the Supplemental Deed otherwise mutually agree in writing; and (ii) the long stop date of the Series B Bonds to 8 June 2016;

(m) the entrusted loan agreement dated 27 May 2016 entered into among a local branch of a PRC commercial bank as the entrusted party and the lender, a limited liability company established in the PRC which is principally engaged in property investment in the PRC, as the borrower, and Differ Dai as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB70,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 17.0% per annum;

(n) the entrusted loan agreement dated 8 June 2016 entered into among a local branch of a PRC commercial bank as the entrusted party and the lender, a limited liability company established in the PRC which is principally engaged in property investment in the PRC, as the borrower, and Differ Dai as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB20,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 17.0% per annum;

(o) the sale and purchase agreement dated 24 June 2016 entered into between the Company as the vendor and Mr. Chan Wing Fong, an Independent Third Party, as the purchaser, in relation to the sale and purchase of the 100 shares in DiPro Company Limited at a consideration of RMB65,000,000;

(p) the Existing Guarantee dated 28 September 2016 executed by the PRC Subsidiary D in favour of a commercial bank in the PRC as guarantee for the loan facility in the sum of RMB250 million granted by such bank to the Debtor 2;

(q) the placing agreement dated 15 August 2016 entered into between the Company as the issuer and Head & Shoulders Securities Limited, an Independent Third Party, as the placing agent for the placing of bonds, on a best efforts basis, in the aggregate principal amount of up to HK$150,000,000;

(r) the loan agreement dated 29 September 2016 entered into between Differ Dai as the lender, and a limited liability company established in the PRC as the borrower, in relation to the granting of the loan in the amount of RMB60,000,000 granted by Differ Dai to the borrower for a term of 12 months at the interest rate of 20% per annum;

(s) the Equity Transfer Agreement dated 28 October 2016 entered into between 福建省鼎豐創業投資有限公司 (Fujian Differ Venture Capital Company Limited*) as the vendor and Ganzhou Wen Ding Business Consulting Company Limited* (贛州市問鼎商務諮詢有限公司) as the purchaser in relation to the acquisition of the 6.25% equity interest in Zhongnan Chengzhang (Tianjin Shi) Equity Investment Fund Partnership Limited (Limited Partnership)* (中南成長(天津市)股權投資基金合伙企業(有限合伙)), a limited partnership in the PRC, for a consideration of RMB70,000,000;

(t) the entrusted loan master agreement dated 2 November 2016 entered into between Differ Dai as the entrusting party and a limited liability company established in PRC as the borrower, in relation to the granting of the entrusted loans with aggregate amount of up to RMB100,000,000 granted by Differ Dai to the borrower through the bank for a term of 24 months at the interest rate of 17% per annum;

(u) the entrusted loan agreement dated 2 November 2016 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and a limited liability company established in the PRC as the borrower, in relation to the granting of the entrusted loan in the amount of RMB3,750,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 17% per annum;

(v) the placing agreement dated 1 December 2016 entered into between the Company as the issuer and ChaoShang Securities Limited, an Independent Third Party, as the placing agent for the placing of bonds, on a best efforts basis, in the aggregate principal amount of up to HK$150,000,000;

(w) the finance lease agreement dated 29 December 2016 entered into between Jiashi Xiamen as the lessor and a limited liability company established in PRC as the lessee, in relation to the granting of the finance lease service by Jiashi Xiamen to the lessee through the bank for a term of 120 months for an amount of financing provided by Jiashi Xiamen at approximately RMB110,000,000;

(x) the loan agreement dated 14 February 2017 entered into between Cinda Subscriber as the lender and the Company as the borrower for the loan in the principal amount of US$10,000,000 and maturity date at 10 months from the date of the drawing down of the loan at the interest rate of 7% per annum;

(y) the entrusted loan agreement dated 5 May 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 陽光國際集團科技發展有限公司 (Sunshine International Group Technology Development Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB200,000,000 granted by Differ Dai to the borrower through the bank for a term of 5 months at the interest rate of 12% per annum;

(z) the entrusted loan agreement dated 5 May 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州市泉美生物科技有限公司 (Quanzhoushi Quanmei Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB233,500,000 granted by Differ Dai to the borrower through the bank for a term of 5 months at the interest rate of 12% per annum;

(aa) the finance lease agreement dated 9 May 2017 entered into between Differ Financial Holdings Limited ("**Differ Financial**") as the lessor and a limited liability company established in Philippines as the lessee, in relation to the granting of the finance lease service by Differ Financial to the lessee for a term of 24 months for an aggregate amount of financing provided by Differ Financial of US$13,650,000;

(bb) the guarantee service agreements dated 29 June 2017 entered into among the Company and 鼎豐集團(中國)有限公司 (Differ Group (China) Company Limited*) ("**Differ China**"), an indirect wholly-owned subsidiary of the Company (together as the guarantors) and 龍之族(中國)有限公司 (Dragon Clan (China) Company Limited) ("**Dragon China**") (as the borrower), pursuant to which the guarantors agreed to guarantee to pay the amount of not exceeding RMB155,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Dragon China in the event of Dragon China's default;

(cc) the guarantee service agreements dated 29 June 2017 entered into among the Company and Differ China (together as the guarantors) and 石獅富融商貿有限公司 (Shishi Fu Rong Trading Company Limited) ("**Shishi Fu**") (as the borrower), pursuant to which the guarantors agreed to guarantee to pay the amount of not exceeding RMB80,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Shishi Fu in the event of Shishi Fu's default;

(dd) the guarantee service agreements dated 29 June 2017 entered into among the Company and Differ China (as the Guarantors) and 福建京福輝紡織科技有限公司 (Fujian Jing Fu Huei Textile Technology Company Limited) ("**Fujian Jing**") (as the borrower), pursuant to which the Guarantors agreed to guarantee to pay the amount of not exceeding RMB80,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Fujian Jing in the event of Fujian Jing's default;

(ee) the loan agreement dated 29 June 2017 entered into between Cinda Subscriber as the lender and the Company as the borrower for the loan in the principal amount of US$9,000,000 and maturity date at 12 months from the date of the drawing down of the loan at the interest rate of 7% per annum;

(ff) the placing agreement dated 1 August 2017 entered into between the Company as the issuer and Quasar Securities Limited, an Independent Third Party, as the placing agent for the placing of bonds, on a best efforts basis, in the aggregate principal amount of up to HK$200,000,000;

(gg) the guarantee service master agreement dated 14 September 2017 entered into among the Company and Differ China (together as the guarantors) and Dragon China, Shishi Fu and Fujian Jing (together as the borrowers) (the "Customers") for a period of two years. During any time within the period of the guarantee service master agreement, the guarantors have guaranteed to pay all Indebtedness in an aggregate amount of not exceeding RMB315,000,000 (equivalent to approximately HK$375,000,000), being the in respect of the facilities due and owing to a local branch of a PRC commercial bank by the Customers in the event of the Customers' default;

(hh) the agreement for the sale and purchase dated 27 September 2017 in respect of 25% of the issued shares of Differ Supply Chain Development Group Limited entered into between Yung Tin Yuet, as the vendor and the Company, as the purchaser, at a consideration of RMB$8,000,000;

(ii) the entrusted loan agreement dated 28 September 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州陽光盛世生物科技有限公司 (Quanzhou Sunshine Shengshi Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB200,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 12% per annum;

(jj) the entrusted loan agreement dated 28 September 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州泉美盛世生物科技有限公司 (Quanzhoushi Quanmei Shengshi Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB175,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 12% per annum;

(kk) the conditional sale and purchase agreement dated 27 October 2017 entered into between Differ Company Limited and Jiashi Company Limited in respect of the acquisition of the 37% of the entire issued capital of Jiashi Financial Limited (嘉實金融有限公司); and

(ll) the Agreement.

9. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group and the Enlarged Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up.

11. MISCELLANEOUS

(a) The secretary of the Company is Mr. Tam Wai Tak Victor, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the PRC. The principal place of business of the Company in Hong Kong registered under Part XI of the Companies Ordinance is located at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2016;

(c) the accountants' report of the Target Group prepared by BDO Limited, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group prepared by BDO Limited, the text of which is set out in Appendix IV to this circular;

(e) the valuation report on the properties held by the Target Group prepared by Savills, the text of which is set out in Appendix V to this circular;

(f) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(g) the Agreement;

(h) a letter of recommendation dated 23 December 2017 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this circular;

(i) a letter of advice from Euto Capital Partners Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-50 of this circular;

(j) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;

(k) the circular of the Company dated 30 November 2016;

(l) this circular.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Differ Group Holding Company Limited (the "**Company**") will be held on Unit 1102-3, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 12 January 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution. Capitalised terms contained in the circular dated 23 December 2017 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition and the grant of the Specific Mandate

1. "**THAT**

(a) the Agreement (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purposes of identification), entered into between Ms. Shi Hongjiao (施鴻嬌) as the vendor and Differ Asset Development Limited, a wholly-owned subsidiary of the Company, as the purchaser, in relation to the Acquisition and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any one or more of the Directors be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/their opinion to approve and implement and/or give effect to the Acquisition and the transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary any and all documents necessary or desirable for giving effect to such agreements, or making non-material amendments thereto but including the authority to waive any conditions (save where they are stated not capable of being waived) and the authority to amend the time by which completions of such agreements are to take place;

(c) the grant of the Specific Mandate for the allotment and issue of the Consideration Shares for the settlement of part of the Consideration, subject to the terms and conditions as set out in the Circular, be and is hereby approved; and

(d) any one or more of the Directors be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/their opinion to approve and implement and/or give effect to the issue of the Consideration Shares, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary any and all documents necessary or desirable for giving effect to such issue, or making non-material amendments thereto."

Resolution in relation to the provisions of Financial Assistance

2. "**THAT**

(a) the draft Guarantee Service Agreements (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purposes of identification), to be entered into by the Company or its subsidiary in relation to the Guarantee Services and the transactions contemplated thereunder be and are hereby approved;

(b) subject to the passing of the resolution numbered 2(a) as set out in this notice, the Annual Caps 1 be and are hereby approved;

(c) subject to the passing of the resolution numbered 2(a) as set out in this notice, the Annual Caps 2 be and are hereby approved; and

(d) any one or more of the Directors be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/their opinion to approve and implement and/or give effect to the Guarantee Service Agreements, the provisions of Financial Assistance and the transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary any and all documents necessary or desirable for giving effect to such agreements, or making non-material amendments thereto but including the authority to waive any conditions (save where they are stated not capable of being waived) and the authority to amend the time by which completions of such agreements are to take place."

By order of the Board
Differ Group Holding Company Limited
NG Chi Chung
Chief Executive Officer and executive Director

Hong Kong, 23 December 2017

Registered office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in the Peoples' Republic of China:
23rd Floor, Tower 11
166 Tapu East Road
Xiamen,
the PRC

Head office and principal place of business in Hong Kong registered under Part XI of the Companies Ordinance:
Room 1602
Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.