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 or registered institution in securities, 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 registered institution in securities 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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRIME THRIVE INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

Euto 裕韜 Capital Partners

Euto Capital Partners Limited

Capitalised terms used in this cover shall have the same meanings as those defined in this circular under the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 – 36 of this circular. A letter from the Connected Transaction Independent Board Committee is set out or pages 37 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 42 of this circular. A letter from Euto, the Independent Financial Adviser, containing its advice and recommendation to the Connected Transaction Independent Board Committee, Independent Board Committee and the Independent Shareholders is set out on pages 43 to 104 of this circular.

A notice convening the extraordinary general meeting of the Company (the "**EGM**") to be held at Units 1102-03, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 18 January 2019 at 11:00 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 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.

31 December 2018

CONTENTS

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

"Acquisition"	the acquisition of the Sale Share by the Purchaser pursuant to the Agreement
"acting in concert"	shall have the same meaning as defined in the Takeovers Code
"Agreement"	the conditional sale and purchase agreement dated 7 November 2018 entered into between the Purchaser and the Vendor in respect of the Acquisition
"Announcement"	the Company's announcement dated 7 November 2018 in respect of, among others, the Acquisition and the Whitewash Waiver
"associate"	has the meaning as ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday 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 and the PRC are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"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 fulfillment or waiver (as the case may be) of all conditions precedent contained in the Agreement or such other date agreed by the parties to the Agreement in writing
"Concert Group"	the Vendor, Mr. Hong, Expert Corporate and parties acting in concert with each of them
"Connected Transaction Independent Board Committee"	the connected transaction independent board committee of the Board consisting of all the independent non-executive Directors
"connected Person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Consideration"	RMB499,972,000 (equivalent to approximately HK$568,150,000), being the consideration for the Acquisition payable by the Purchaser under the Agreement

"Consideration Share(s)"	1,033,000,000 new Shares to be allotted and issued by the Company to the Vendor or its nominee at the Issue Price for settling the Consideration pursuant to the Agreement
"Cultural Tours"	Cultural Tours Limited (文旅有限公司), an indirect wholly-owned subsidiary of the Company, which is a limited company incorporated in the BVI and is principally engaged in investment holding
"Directors"	the director(s) of the Company
"Dragon Holdings"	Dragon Holdings Company Limited* (龍之族控股有限公司), a limited liability company established in the PRC and an associate of Mr. Hong
"Dragon's Loan"	the sum of RMB334,872,383 (equivalent to approximately HK$380.5 million) owed by, as at the Latest Practicable Date, PRC Subsidiary B to Dragon Holdings, which is the former shareholder of the PRC Subsidiary B
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the Agreement, the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and other ancillary matters as may be required under the Listing Rules
"Enlarged Group"	the Group as enlarged by the Acquisition
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate(s) for the time being of the Executive Director
"Expert Corporate"	Expert Corporate Limited, a company incorporated in the British Virgin Islands, the substantial shareholder of the Company, which is wholly-owned by Mr. Hong
"Euto"	Euto Capital Partners Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee, Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
"Former Consideration"	the aggregate consideration in the sum of RMB100,001,300 (equivalent to approximately HK$113.64 million)

"Former Transfer Agreement"	the transfer agreement dated 18 October 2018, as amended and supplemented by the supplemental agreement dated 19 October 2018, entered among the PRC Subsidiary A, as purchaser, and Dragon Holdings and an Independent Third Party, together as vendors, in respect of the entire equity interest in the PRC Subsidiary B
"Group"	the Company and its subsidiaries
"HK Subsidiary"	Bai Rong Development Limited (佰融發展有限公司), a limited liability company established in Hong Kong, which is wholly-owned by the Target Company
"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 non-executive Directors
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Independent Shareholders"	the Shareholders other than the Concert Group and other Shareholders who are involved in, or interested in the Acquisition and the Whitewash Waiver
"Issue Price"	HK$0.55, being the issue price per Consideration Share
"Jingning Differ"	Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
"Jones Lang LaSalle" or "Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer and consultant engaged by the Purchaser
"Land"	the two land parcels legally owned by the PRC Subsidiary B situated at Jingning She Zu Autonomous County* (景寧畲族自治縣外舍) of land lot nos. B1-04-01 and B1-04-02, with a total site area of 173,933,62 sq.m. and the land use of which is for commercial purposes
"Last Trading Day"	6 November 2018, being the last trading day of the Shares immediately before the publication of the Announcement

"Latest Practicable Date"	28 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Lishui Fu Feng"	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, an indirect wholly-owned subsidiary of the Company
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	28 February 2019 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
"Optionholder(s)"	holder(s) of Share Option(s)
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau and Taiwan
"PRC Subsidiary A"	Xiamen Wen Ding Business Consulting Company Limited* (廈門市問鼎商務諮詢有限公司), a limited liability company established in the PRC, which wholly-owned by the HK Subsidiary
"PRC Subsidiary B"	Jingning Waishe Guzhen Travel Investment Development Limited* (景寧外舍古鎮旅遊投資發展有限公司), a limited liability company established in the PRC, which is wholly-owned by the PRC Subsidiary A
"PRC Subsidiary C"	Jingning Waishe Kaizhen Property Development Limited* (景寧外舍凱震房地產開發有限公司), a limited liability company established in the PRC, which is wholly-owned by the PRC Subsidiary B
"Purchaser"	Differ Cultural Tours Limited, a company incorporated in Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Relevant Period"	the period commencing 6 months before the date of the Announcement and ending on the Latest Practicable Date
"Sale Share"	the entire issued share capital of the Target Company which is fully paid
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

"Share(s)"	the ordinary share(s) of HK$0.0025 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares(s)
"Share Options"	share options to subscribe for an aggregate of 43,238,000 Shares which remain outstanding as at the Latest Practicable Date that were granted by the Company on 25 April 2016 pursuant to its share option schemes adopted on 26 November 2013
"Specific Mandate"	the specific mandate to be sought at the EGM for the approval of the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Prime Thrive Investments Limited (盛榮投資有限公司), a company incorporated in the BVI with limited liability
"Target Group"	collectively, the Target Company, HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C
"Takeover Code"	The Hong Kong Code on Takeovers and Mergers
"Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer engaged by the Purchaser
"Vendor"	Ms. Shi Hongjiao (施鴻嬌), a businesswoman and a resident of Hong Kong, spouse of Mr. Hong
"Whitewash Waiver"	the waiver under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Vendor to make a general offer to the Shareholders for all issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by the Concert Group as a result of the allotment and issue of the Consideration Shares to the Vendor which will increase the Concert Group's collective holding of the voting rights of the Company by more than 2% in any 12 month period
"Xiamen Differ"	Xiamen Differ Cultural Tours Group Co., Ltd. (廈門鼎豐文化旅遊集團有限公司), an indirect wholly-owned subsidiary of the Company, which is a limited company incorporated in the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

"sq.m."	square meter
"%"	per cent.

* *In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

For the purpose of this circular, the translation of RMB into HK$ is based on the rate of HK$1:RMB0.88. The above conversion rates are for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder", "percentage ratio(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

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 Director:
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:
33/F, Differ Fortune Centre,
No. 503 Gaolin Middle Road,
Huli District,
Xiamen City,
Fujian Province, PRC

Principal place of business in Hong Kong:
Room 1602, Euro Trade Centre,
13-14 Connaught Road Central,
Central, Hong Kong

31 December 2018

To the Shareholders and Optionholder(s) for information only,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRIME THRIVE INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) APPLICATION FOR WHITEWASH WAIVER (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 7 November 2018 in relation to, among others, the Acquisition, the Specific Mandate and the Whitewash Waiver. The Acquisition constitutes a major and connected transaction of the Company under the Listing Rules.

Reference is further made to the clarification announcement made by the Company dated 13 November 2018 informing the public that the Acquisition was aggregated for calculation of the applicable percentage ratio(s) (as defined in the Listing Rules) with the other transactions of the Company and the Acquisition will be reclassified as a very substantial acquisition of the Company pursuant to the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the Acquisition, the grant of Specific Mandate and other information as required to be disclosed under the Listing Rules and the Takeover Codes; (ii) details of the Whitewash Waiver; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iv) the recommendation of the Connected Transaction Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (v) the letter of advice from Euto to the Independent Board Committee, Connected Transaction Independent Board Committee and the Independent Shareholders; (vi) the financial information of the Group and the Target Group; (vii) a notice of the EGM; and (viii) a form of proxy.

THE ACQUISITION

On 7 November 2018 (after trading hours), the Purchaser, an indirect 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 total Consideration of RMB499,972,000 (equivalent to approximately HK$568,150,000).

THE AGREEMENT

Set out below are the principal terms of the Agreement:

Date	:	7 November 2018 (after trading hours)	
Parties	:	(i)	the Purchaser; and
		(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, 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 HK Subsidiary;

(ii) the HK Subsidiary in turn directly holds the entire equity interest in the PRC Subsidiary A;

(iii) the PRC Subsidiary A then directly holds the entire equity interest in the PRC Subsidiary B; and

(iv) the PRC Subsidiary B directly holds the entire equity interest in the PRC Subsidiary C.

For details, please refer to the diagram under the section headed "INFORMATION ON THE TARGET GROUP" in this letter from the Board of this circular below.

Upon the Completion, the Target Company, the HK Subsidiary, the PRC Subsidiary A, the PRC Subsidiary B and the PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group.

As informed by the Vendor, the PRC Subsidiary B has legally and validly obtained and holds the land use rights for the Land, which is for commercial development and on which a property development project named Phoenix Ancient Town* (鳳凰古鎮) is currently under construction. As further advised by the Vendor, currently the major part of the development project has been completed, including the waterproof construction and greening work at the ground levels. Outstanding construction work of Phoenix Ancient Town*(鳳凰古鎮) include approximately 30% of the fire protection system, approximately 40% of the power system, approximately 40% of the insertion of doors and windows, partition walls of the basement and various ground works. Upon completion of its construction, which is expected to be by the end of the second quarter of 2019, Phoenix Ancient Town (鳳凰古鎮) will comprise a total planned gross floor area of approximately 311,585.3 sq.m..

Consideration

Pursuant to the Agreement, the Consideration is RMB499,972,000 (equivalent to approximately HK$568,150,000), which shall be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price to the Vendor or its nominee within ten (10) Business Days after the Completion Date. As the parties to the Agreement have agreed the exchange rate of HK$1: RMB0.88, the total Consideration of RMB499,972,000 shall be equivalent to HK$568,150,000. Accordingly, 1,033,000,000 new Shares will be allotted and issued by the Company to the Vendor or its nominee at the Issue Price for settling the Consideration, subject to the Completion.

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 2018; 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 RMB531,714,700 represents an aggregated value of:

(a) the audited consolidated net asset value of the Target Group attributable to the Vendor as at 30 September 2018 in the amount of approximately RMB119,414,000, as disclosed in the "Combined Statements of Financial Position" in Appendix II; plus

(b) the amount of (i) the valuation of the market value of the properties interest held by the Target Group as at 30 September 2018 prepared by the Valuer in the sum of RMB1,899,000,000 as disclosed in Appendix V; less (ii) the relevant book value in the sum of RMB1,386,698,000 as disclosed in the "Combined Statements of Financial Position" in Appendix II, in the amount of approximately RMB512,302,000; and minus;

(c) the amount due to Dragon Holdings of approximately RMB100,001,300 by the PRC Subsidiary A. Please refer to the paragraph headed "Consideration for the equity interest of the PRC Subsidiary B" under the section "Potential connected financial assistance upon Completion" of this letter from the Board in this circular for details.

As advised by the Vendor, the original acquisition cost incurred by the Vendor for the acquisition of PRC subsidiary B from Dragon Holdings was approximately RMB100 million.

As further advised by the Vendor, the majority of the assets of the Target Group are held by the PRC Subsidiary B, which was originally owned by Dragon Holdings, which is an associate of Mr. Hong. The transfer of the entire interest in the PRC Subsidiary B was merely for the purpose of a corporate reorganisation. As it is a transfer between the Vendor and an associate of her spouse, Mr. Hong, the original acquisition cost was determined with reference to the registered capital of the PRC Subsidiary B but not taking into consideration of the property interest held by the PRC Subsidiary B.

As further advised by the Vendor, the original acquisition costs of the Target Group previously acquired by Dragon Holdings are as follows:

From Independent Third Party to Dragon Holdings

(a) On 20 April 2015, Dragon Holdings acquired 51% shares of PRC Subsidiary B from an Independent Third Party ("**Party A**") for the consideration of RMB51,001,300 ("**DH Acquisition 1**").

(b) On 26 September 2018, Dragon Holdings and an individual (who held on trust for Dragon Holdings) acquired the remaining 48% and 1% shares respectively of PRC Subsidiary B from an Independent Third Party ("**Party B**") at the total consideration of RMB49,000,000 ("**DH Acquisition 2**").

From Dragon Holdings to PRC Subsidiary A

(c) On 18 October 2018, PRC Subsidiary A acquired 100% shares of PRC Subsidiary B from Dragon Holdings and an individual (who held on trust for Dragon Holdings) at total consideration of RMB100,001,300 ("**DH Acquisition 3**").

During the material time, Dragon Holdings was wholly owned by Mr. Hong. On 13 November 2018, Mr. Hong transferred the entire issued share capital of Dragon Holdings to his sister, Ms. Hong Mei Guan (洪美觀).

The relationship between Party A and Party B is father and son. After Party A sold 51% interests of PRC Subsidiary B in DH Acquisition 1 to Dragon Holdings in 2015, Party B remained as shareholder of PRC Subsidiary B due to his local knowledge and local relations, however was a passive investor and operator as he had minimal involvement in major decision-making.

Based on the recollection of Mr. Hong, in or around 2012, Mr. Hong befriended with an independent third party ("**Party C**"), who is the son-in-law of Party A (one of the shareholders of PRC Subsidiary B, who later sold the 51% interests of PRC Subsidiary B to Dragon Holdings in 2015 as per DH Acquisition 1). Party C became the business acquaintance of Mr. Hong and they have conducted certain business cooperation together.

In 2013, Party C introduced Party A and Party B (who then later sold the 49% interests of PRC Subsidiary B in September 2018 to Dragon Holdings as per DH Acquisition 2) to Mr. Hong. Mr. Hong, has also conducted certain business cooperation with Party A and Party B, who are father and son.

In relation to the consideration of DH Acquisition 2, the costs of the development project are mainly financed by Dragon Holdings and Mr. Hong. Mr. Hong understands from Party B that due to the following personal and financial reasons, the Party B decided to exit from the Zhejiang market in September 2018, and contemplated on changing his area of investment:

Personal Reasons

Party B's previous business developments primarily focused on Lishui but due to a lack of a core team, these said business projects were unable to progress further. Following the regulation of the PRC market and increased competition, previous management methods were now inadequate in meeting the demands of Phoenix Ancient Town (鳳凰古鎮), which is a large-scale and complex development project. In addition, Party B and his family have purchased property and obtained the household registration* (户籍) in Xiamen. Therefore, Party B decided to gradually withdraw from the project and has now moved to Xiamen.

Financial Reasons

In September 2018, the Group has taken up 30% interest in Lishui Fu Feng and Jingning Differ. After completion, Lishui Fu Feng and Xiamen Differ are indirect wholly-owned subsidiaries of the Company.

Before Lishui Fu Feng become an indirect wholly-owned subsidiary of the Company, Lishui Fu Feng was owned by Xiamen Differ and Party A as to 70% and 30% respectively. Whereas, before Jingning Differ become an indirect wholly-owned subsidiary of the Company, Jingning Differ was owned by Xiamen Differ and Party B as to 70% and 30% respectively.

In July 2018, the Company learnt that Party A and Party B have charged their respective shareholding in Lishui Fu Feng and Jingning Differ to Ms. Hong Qiaosi* (洪巧絲) (the "**Creditor**"), a citizen and businesswoman in the PRC, an Independent Third Party. Party A and Party B owed the sum of RMB190 million (the "**Transferred Loan**") to the Creditor.

Party A and Party B was experiencing financial difficulty and had not repaid the Transferred Loan to the Creditor on time. The Company further understood that the Creditor intended to exercise its rights to enforce the said securities. In order to avoid operating the businesses of Lishui Fu Feng and Jingning Differ with any unfamiliar third party when the said securities would become enforceable by the Creditor, the Company immediately struck a deal with the Creditor and entered into the sale and purchase agreement dated 18 September 2018 with the Creditor, Party A and Party B. Pursuant to the respective sale and purchase agreement, Party A and Party B agreed to give up their respective interest in Lishui Fu Feng and Jingning Differ and the Company acquired the Transferred Loan at the consideration in the sum of RMB190 million.

For details of the respective sale and purchase agreement please refer to the Company's announcement dated 18 September 2018.

As advised by the Vendor, Dragon Holdings and Party B have negotiated and, after friendly negotiations, finally agreed on the amount of consideration at RMB49,000,000 for 49% of the equity interest of PRC Subsidiary B because:

1. apart from the paid-up capital, Party B has not contributed any amount for the operation of the PRC Subsidiary B;

2. Party B is only a passive investor and operator. The involvement of major operating and financial decision is minimal;

3. under the current PRC law, Dragon Holdings has a pre-emptive right on Party B's sale of its interest in the PRC Subsidiary B, therefore Party B will have difficulty to sell its interest to other person unless agreed by Dragon Holdings;

4. the PRC Subsidiary B (including the development of the Land) was mainly financed by the fund contributed by Dragon Holdings and bank loans. As disclosed in page 18 of the Circular, there was an outstanding loan granted by Dragon Holdings; as most of the operating expenses and construction costs of PRC Subsidiary B were paid by the Dragon's Loan, therefore the financial contribution from Party B was limited to its registered capital;

5. Dragon Holdings for its interest will try to bargain for a good price as its fund will continue to be locked in the PRC Subsidiary B;

6. the other source of finance for the PRC Subsidiary B, namely, the bank loan, was negotiated by Mr. Hong, the shareholder of Dragon Holdings at that material time, rather than by Party B, who took on a comparatively passive role.

Accordingly, in light of the above after negotiation, Party B eventually willing to give up the gain on land appreciation and sold its 49% interests of PRC Subsidiary B to Dragon Holdings at its original cost of capital, which might be much lower than the possible market value of the Land.

The Company understands that the Party B did not contemplate to sell the 49% of the PRC Subsidiary B directly to the Company for the following reasons:

1. The Party B requested for payment of cash as consideration only. The Company at that material time considered that may not be beneficial to the Company and its Shareholders, as a whole, to have such amount of cash outflow of which would have a significant impact on the cashflow of the Company, for the reason stated below. Comparatively, for the current Acquisition, Consideration Shares are offered as Consideration for the Sale Share, which provides greater flexibility to the financial status of the Company. Although the Company had cash, this was primarily ear marked for payment at that time to be made by Cultural Tours to the Creditor, an Independent Third Party for the Transferred Loan in the sum of RMB190 million, as disclosed in the Company's announcement dated 18 September 2018.

   The Company has also explored means to increase its available fund for the possibility of acquiring the 49% of the PRC Subsidiary B by cash. As a result, the Company attempted to raise funds through the placing of bonds, as disclosed in the Company's announcement dated 14 September 2018 through placing agent. However, unfortunately the placing of the bonds have not been materialised and could not proceed and therefore the Company did not have spare cash for the acquisition of 49% interest of PRC Subsidiary B from Party B as the Company should keep sufficient cash for daily operation and other business. The Company has also considered to obtain bank loan for the acquisition, however, the Company believes that may not be beneficial to the Company and its Shareholders a whole, as it may (i) create immediate additional interest burden to the Group, which might affect the Group's financial performance; (ii) involve provision of security; and (iii) subject to, including but not limited to, lengthy due diligence due to investigation by the lending banks on pledged assets (if required) and negotiations with the banks with regards to the Group's financial position and capital structure; and (iv) the then prevailing stock market condition, the Directors consider that obtaining a bank loan may be uncertain and time consuming.

2. The Company preferred to acquire the PRC Subsidiary B through an oversea incorporated vehicle because the Company prefers a simple structure which is also the usual norm for listed companies. However, the Party B would not consider such arrangement as the Party B did not bother to take the time for completion of such procedure.

3. Party B requested for a speedy completion but at that material time, the Company was unable to satisfy this request, therefore Party B did not contemplate to sell 49% of the PRC Subsidiary B directly to the Company. Further, assuming the Company has sufficient fund to acquire the 49% interest of PRC Subsidiary B directly from Party B in cash at that time. Such transaction would constitute as a major and connected transaction at subsidiary level for the Company. The Company will have to take time to comply with the Listing Rules which was unlikely to meet Party B's request for a speedy completion.

As the original acquisition cost for both the transfer (1) from Independent Third Party to Dragon Holdings and (2) from Dragon Holdings to PRC Subsidiary A are approximately at RMB100 million, the Board noted that the Consideration represents approximately five times of the original acquisition cost. However, the Board consider that the basis of Consideration is fair and reasonable because the Board understand that:

i. the market value of the property of the Target Group has increased during the period from second half of 2015 to year 2018, the consideration of the DH Acquisition 1 might not be a meaningful reference point;

ii. For DH Acquisition 2, as most of the operating expenses and construction costs of PRC Subsidiary B are paid by Dragon Holdings in the past (equivalent to the sum of the Dragon's Loan i.e. RMB334,872,383), the financial contribution from the Independent Third Party is limited, as such, Dragon Holdings and an individual (who held on trust for Dragon Holdings) only need to pay RMB49,000,000 (based on the amount of 49% of registered capital of PRC Subsidiary B) to the Independent Third Party for the acquisition of 49% of PRC Subsidiary B. Under the relevant legislation the minimum number of shareholders of the PRC Subsidiary B should be two as Dragon Holdings only has one shareholder at that time. Accordingly. an individual held 1% interest on trust for Dragon Holdings; and

iii. For DH Acquisition 3, the original acquisition cost is paid by Vendor to her connected parties mainly for reorganization purpose. Accordingly, it did not represent the fair value of the properties between any usual market seller and purchaser.

Furthermore, although comparatively, 49% of the Consideration for the Acquisition is greater than the consideration by RMB195,986,280 i.e. approximately 400%, paid by the Vendor, for 49% of the shares of PRC Subsidiary B in DH Acquisition 2 at RMB49 million, given the circumstances stated above, the Company believes that it is still in the best interest of the shareholders and the Company as a whole as the Company did not have sufficient available cash at the time of DH Acquisition 2 and the Consideration Shares offered as Consideration for the current Acquisition will be allotted and issued at the Issue Price which represents a premium over the closing price and the average closing price of the Share on the date of the Agreement.

Consideration Shares

The Consideration Shares represent approximately 19.38% of the existing issued share capital of the Company as of the Latest Practicable Date and approximately 16.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after the 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).

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

(i) a premium of approximately 3.77% to the closing price of HK$0.53 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a premium of approximately 5.77% to the average closing price of HK$0.52 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;

(iii) a premium of approximately 11.11% to the closing price of HK0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) a premium of approximately 1.85% to the closing price of HK$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(v) a premium of approximately 71.88% to the audited consolidated net asset value per Share attributable to equity holders of the Company of approximately HK$0.32 per Share as at 31 December 2017.

The Consideration was determined with reference to the Adjusted NAV of the Target Group as at 30 September 2018 which includes the value of the audited consolidated net asset value of the Target Group attributable to the Vendor as at 30 September 2018, which has already taken into account the Dragon's Loan. Therefore, the Board has considered the Dragon's Loan when determining the Consideration and the Board considered that it is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Consideration for the Acquisition is considered by the Company to be competitive because:

(a) The Consideration was determined with reference to the Adjusted NAV of the Target Group as at 30 September 2018. The Adjusted NAV has included the amount of valuation of the market value of the properties interest held by the Target Group as at 30 September 2018 prepared by the Valuer and deducting the Former Consideration and it is 6% discount to the Adjusted NAV; and

(b) Instead of the payment of cash, Consideration Shares are offered as Consideration for the Sale Share, therefore, there will be no cash outflow for the Acquisition, which provides comparatively greater flexibility to the financial status of the Company.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor, with reference to the prevailing market price of the Shares. The Directors (excluding the independent non-executive Directors whose views, after considering the advice from Euto, are contained in this circular) 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.

Based on the requested terms from the Party B at that material time, the Company was unable to meet the Party B's request to grasp the opportunity to acquire 49% interests of PRC Subsidiary B at its original cost of capital from the Party B, which is much lower than the market value of PRC Subsidiary B. The Company is now able to offer Consideration Shares as Consideration for the Sale Share instead of payment of cash to the Vendor for acquisition of the Target Group which consist of the PRC Subsidiary B.

The Board believes that the Acquisition is in the interests of the Company and its shareholders as a whole as there is no cash outflow for the Company by offering Consideration Shares as Consideration in lieu of cash, which would provide greater flexibility to its financial status.

Specific Mandate

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

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 in accordance with the terms of the Agreement:

(a) the passing of the resolution(s) by the Independent Shareholders at the EGM, to approve the Agreement and the transactions contemplated thereunder, including but not limited to (i) the grant of the Specific Mandate for allotment and issue of Consideration Shares and (ii) the Whitewash Waiver;

(b) the Executive having granted the Whitewash Waiver;

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

(d) the Purchaser having 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 being satisfied with the results of such due diligence review;

(e) the Purchaser having received (and being satisfied with) the relevant transfer documents showing that the Sale Share has been transferred from the Vendor to the Purchaser and/or its nominee and the person specified by the Purchaser having been appointed as the administrator;

(f) the Target Company having obtained the approvals relating to the share transfer contemplated under the Agreement, from its board of directors;

(g) there being 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 Completion and all warranties remain true and accurate as at the Completion Date;

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

(i) the Purchaser having received (and being satisfied with) the relevant documents to show that the persons specified by the Purchaser have been appointed as the Target Group members' director, legal representative and secretary;

(j) the Purchaser having received a valuation report in respect of the Land prepared by the Valuer engaged by the Purchaser (in a form and content satisfactory to the Purchaser); and

(k) the Purchaser having received all other documents requested by the Purchaser to be supplied and/or executed by the Vendor or members of the Target Group before the Completion Date.

Save and except the conditions (a), (b) and (c) above, all other conditions 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 (a), (b) and (c) shall not be waivable at all times. As at the Latest Practicable Date, to the best knowledge of the Purchaser, the Purchaser does not have any intention to waive any of the conditions precedent.

If any of the above conditions have not been fulfilled or waived (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 previously paid by the Purchaser without interest, if any. Thereafter neither party shall make any claims against any other parties pursuant to the terms nor conditions of the Agreement, save for any antecedent breaches of the terms of the Agreement.

As at the Latest Practicable Date, Conditions (h) and (j) have been fulfilled. Apart from that, none of the above conditions has been fulfilled or waived.

Completion

The Completion shall take place within five (5) Business Days after the Purchaser is fully satisfied with (except those 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, the Target Company, the HK Subsidiary, the PRC Subsidiary A, the PRC Subsidiary B and the PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group.

Potential connected financial assistance upon Completion

Consideration for the equity interest of the PRC Subsidiary B

As informed by the Vendor, the PRC Subsidiary B was formerly respectively owned as to 1% and 99% by an individual, who held on trust for Dragon Holdings, and Dragon Holdings. Under the relevant legislation the minimum number of shareholders of the PRC Subsidiary B should be two as Dragon Holdings only has one shareholder at that time. Accordingly. an individual held 1% interest on trust for Dragon Holdings. As Dragon Holdings is an associate of Mr. Hong, it is a connected person to the Company.

Pursuant to the Former Transfer Agreement entered among the PRC Subsidiary A, as purchaser, and Dragon Holdings and an individual, together as vendors, in respect of the entire equity interest in PRC Subsidiary B, the Former Consideration shall be paid by the PRC Subsidiary A to the said vendors within 1 year from 19 October 2018 (i.e. on or before 18 October 2019). As informed by the Vendor, payment of such consideration is interest free, unsecured and the PRC Subsidiary A has the right to early repay for all or part of the consideration without incurring any expenses. Therefore, upon the Completion, the PRC Subsidiary A, which will be a wholly-owned subsidiary of the Company, will owe RMB100,001,300 (equivalent to approximately HK$113.64 million) to Dragon Holdings and it will constitute a financial assistance by connected person to the Company. The PRC Subsidiary A will finance the payment of the Former Consideration by its own resources.

Since (i) it is intended that the Former Consideration will continue to be repaid on the same term after the Completion, namely interest free, payable on or before 18 October 2019 and the PRC Subsidiary's right to early repay for all or part of the consideration without incurring any expenses; (ii) the arrangement relating to the outstanding Former Consideration is conducted on normal commercial terms or better; and (iii) as informed by Dragon Holdings, it does not intend to obtain any security from the Group to secure the payment of the Former Consideration, the said arrangement will be an exempted financial assistance to the Company and is fully exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Outstanding loan granted by Dragon Holdings

As at the Latest Practicable Date, the PRC Subsidiary B owed the Dragon's Loan, being RMB334,872,383 (equivalent to approximately HK$380.5 million) to Dragon Holdings, which is the former shareholder of the PRC Subsidiary B.

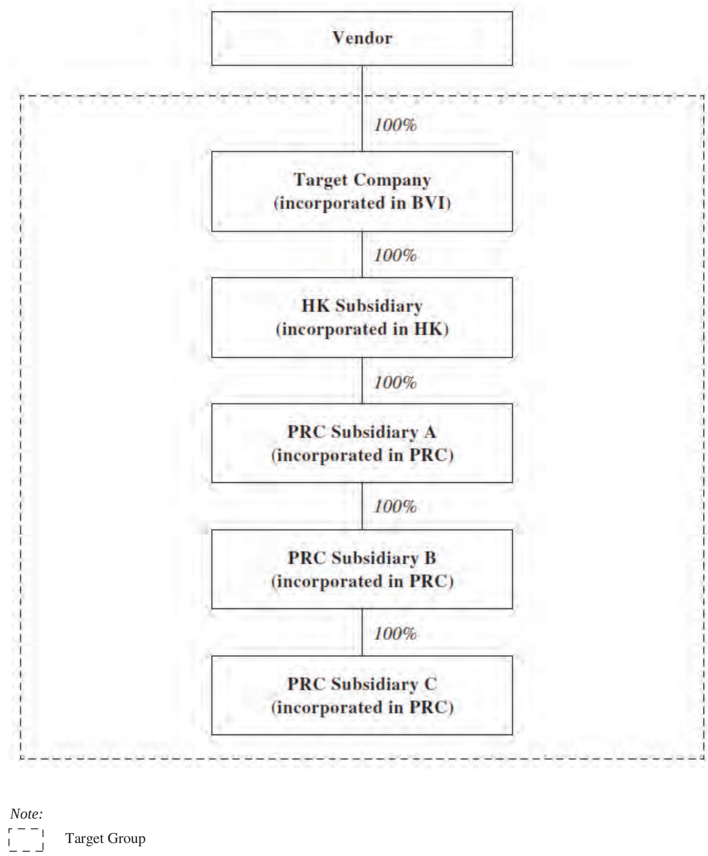
As informed by the Vendor, Dragon's Loan is interest free, unsecured and for a term up to 30 September 2019. The PRC Subsidiary B has the right to make early repayment for all or part of the Dragon's Loan without incurring any expenses. Therefore, upon the Completion, the grant of Dragon's Loan by Dragon Holdings to the PRC Subsidiary B, which will become an indirect wholly-owned subsidiary of the Company upon the Completion, will constitute a financial assistance by connected person to the Company.

Since (i) it is intended that Dragon's Loan will continue to be repaid on the same term after the Completion, namely interest free, unsecured, for a term up to 30 September 2019 and the PRC Subsidiary's right to make early repayment for all or part of the Dragon's Loan without incurring any expenses; and (ii) the grant of Dragon's Loan is conducted on normal commercial terms or better, the grant of Dragon's Loan will be an exempted financial assistance to the Company and is fully exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In any event, if any of the arrangement relating to the Former Consideration and the grant of Dragon's Loan constitutes a non-exempted financial assistance by the connected person under Chapter 14A of the Listing Rules, the Company will comply with the Listing Rules and make relevant disclosure as applicable and appropriate.

INFORMATION ON THE TARGET GROUP

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



As advised by the Vendor,

1. the Target Company is a company incorporated in the BVI with limited liability in July 2011 and its principal business of the Target Company is investment holding;

2. the HK Subsidiary is a company incorporated in Hong Kong with limited liability in October 2018 and its principal business of the HK Subsidiary is investment holding;

3. the PRC Subsidiary A is a company established in the PRC with limited liability in October 2018 and its principal business of PRC Subsidiary A is investment holding;

4. the PRC Subsidiary B is a company established in the PRC with limited liability in November 2013 and its principal business of PRC Subsidiary B is tours property development and management in Lishui City, Zhejiang Province; and

5. the PRC Subsidiary C is a company established in the PRC with limited liability in January 2015 and its principal business of PRC Subsidiary C is property development and operation in Lishui City, Zhejiang Province.

Financial information of the Target Group

As advised by the Vendor, the HK Subsidiary and the PRC Subsidiary A have only been incorporated and established for a short period. Due to the short operation history of the HK Subsidiary and the PRC Subsidiary A, the financial performances of the said companies are insignificant.

Based on the audited consolidated accounts of the Target Company, the PRC Subsidiary B and the PRC Subsidiary C for each of the two financial years ended 31 December 2016 and 2017 prepared by the reporting accountants, the audited consolidated financial information of the said companies are as follows:

	For the year ended 31 December 2016	**For the year ended 31 December 2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Net loss before taxation	1,341	1,508
Net loss after taxation	1,341	1,508

As at 30 September 2018, the audited consolidated total asset value and net assets value of the Target Group were approximately RMB1,391,416,000 and RMB119,414,000, respectively. As there was a net loss, there is no profit taxable. Therefore, the amount of the net loss before and after taxation are the same.

As disclosed under Note 30, related party transactions, of Appendix II of this Circular, that on 19 January 2018, the Target Group entered into a guarantee service agreement with Jingning Differ ("**Guarantee Service Agreement**"). The terms are as follows:

Guarantee Service Agreement

Guarantor	:	Jingning Differ
Borrower	:	PRC Subsidiary B
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 to PRC Subsidiary B
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 23 January 2018 to 30 September 2022

The Vendor and Mr. Hong have executed a counter indemnity to counter indemnify Jinging Differ for all loss, liabilities and expenses which may be suffered or incurred by Jinging Differ.

As at the Latest Practicable Date, the said Guarantee Service Agreement is a transaction for provisions of financial assistance and amount to 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. The independent shareholders of the Company have approved the said Guarantee Service Agreement on 12 January 2018. For further details of the said Guarantee Service Agreement please refer to the circular of the Company dated 23 December 2017.

Upon completion of the Acquisition, PRC Subsidiary B and Jungning Differ will become fellow subsidiaries of the Company, then the PRC Subsidiary B and Jingning Differ are no longer connected parties pursuant to Chapter 14A of the Listing Rules.

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 provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

As disclosed in the interim report of the Company for 2018, the Group considers the asset management business is the key growth driver and actively looks for opportunity to expand this business. The Group continued its business strategy and is actively looking for the good quality assets which potentially offer returns in other provinces.

The Acquisition was first discussed and contemplated on or around late August 2018. Mr. Hong initiated discussion with Mr. Ng Chi Chung, the chief executive officer and executive director of the Company about the potential disposal of Phoenix Ancient Town (鳳凰古鎮) to the Company. Mr. Hong and the Board consider that the Land and the property development erected thereon will offer positive investment return to the Group. As the chairman of the board of directors and substantial shareholder of the Group, Mr. Hong's efforts are now primarily focused on the Group. As advised by Mr. Hong that was one of the reason for Mr. Hong to transfer the entire issued share capital of Dragon Holdings to his sister, Ms. Hong Mei Guan (洪美觀) on 13 November 2018. Furthermore, Mr. Hong considers as he is also one of the Shareholders of the Company, he will also enjoy the growth with the Company and its Shareholders as a whole in the future.

As the location of the two projects of Phoenix Ancient Town (鳳凰古鎮), the subject of the Acquisition, and Differ Sky Realm (鼎豐天境), owned by the Group, are adjacent to each other and the Phase 1 of Differ Sky Realm has been completed and delivered to the purchasers in the second quarter of 2018, the experienced sales team of Differ Sky Realm will be available to handle the sales of properties at Phoenix Ancient Town (鳳凰古鎮). Further, with the completed construction of the the nearby roads, there will be increase of consumer traffic flow and also with the increased flow of people in the area generated from the development of Differ Sky Realm Phoenix Ancient Town (鳳凰古鎮) will in turn benefit from that.

The Group's original asset management business is mainly focus on the distressed assets, mostly lands and properties. The Group seeks opportunities to acquire distressed assets from banks or other entities or individuals at attractive prices. After acquiring the distressed assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors and will then formulate plans to achieve recovery based on the Group's target on profit, cash flow, cost and return on investments.

Following the completion of the acquisition of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") and its subsidiaries ("**Differ Cultural Group**") in January 2018, the Board considers the property development business to be an extension of the Company's original asset management business and a key link in asset consolidation and asset value enhancement. The major differences of the original asset management business and the property development business is that:

i) For the original asset management business, the Group acquires of lands and 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 in a short period of time. The Group did not involve of the property construction process; and

ii) For the property development business, the Group acquires of lands and properties at competitive prices and planned to dispose large number of units of the properties to different customers. The Group outsources the construction work of its property development projects to qualified contractors.

The existing business of the Group involves many valuable assets such as secured collateral, distressed assets, distressed debts and other value assets, many of which are linked with lands and properties under constructions. The experience of the Group under its existing business has greatly enhance the property value evaluation, cost control and disposal of properties. At present, the Group's property development business has full capacity of independently developing and operating valuable assets, and has become a key driver for the Group's overall revenue and profit growth.

Phoenix Ancient Town (鳳凰古鎮) is located at the northern side of Renmin North Road and the eastern side of Waishe Road, Lishui, Zhejiang Province, the PRC. Phoenix Ancient Town (鳳凰古鎮) is a commercial cultural development with total site area of approximately 173,933.62 sq.m. and is currently under construction. Phoenix Ancient Town (鳳凰古鎮) will comprise a total planned gross floor area of approximately 311,585.3 sq.m. The Land and property development acquired from the Acquisition is adjacent to the major residential project of Differ Cultural Group, namely Differ Sky Realm (鼎豐天境) located in Lishui, the PRC. The Group plans to construct approximately 96 buildings on the Land. The said buildings are all antique buildings with a total height of 2-3 floors, creating a historical and cultural touch. The aim of the whole project is to create a one-stop She (佘族) cultural ancient street area filled with shopping, leisure, restaurants, entertainment, culture, tourism, hotels and street performances. The Phase 1 of Differ Sky Realm (鼎豐天境) which was completed and delivered to the purchasers in the second quarter of 2018 and the Phase 2 of the said property will be completed and delivered to the purchasers in near future, the Board considers that this will greatly increase the flow of people in the area and bring considerable sales to the commercial project, Phoenix Ancient Town (鳳凰古鎮). Further, as the Consideration represents approximately 6% discount of the Adjusted NAV, the Board considers the Acquisition to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board, having considered the overview of the economy of the areas where the properties developments are located and the expertise of the management for the development of the properties, believe that the Land and the property development erected thereon will offer a positive business opportunity and return to the Company through the sales of properties.

As at the Latest Practicable Date, the completion date of the construction of Phoenix Ancient Town (鳳凰古鎮) is expected to be by the end of the second quarter of 2019 and revenue is expected to be generated from the second quarter of 2019 to 2021. As at 30 September 2018, over 90% of the development costs have been settled. The amount of remaining development costs to be paid is approximately RMB105 million. Approximately RMB45 million will be paid within 28 days after completion of construction works and approvals from local authorities (i.e around June 2019); and the remaining balance of approximately RMB60 million will be the retention fee for quality warranties purpose, which will be settled after the warranty period of two years.

EXPERTISE OF THE MANAGEMENT OF THE TARGET GROUP

Upon completion of the Acquisition, the Group will appoint certain management team from Differ Cultural Group to the Target Group, Mr. Gong Bin (宮斌) shall be the project leader of Phoenix Ancient Town (鳳凰古鎮). Mr. Gong joined the Group on June 2017 and has had extensive experience overseeing property development projects of various property development companies.

From 2008 to 2012, Mr. Gong served as the executive manager at the engineering department of a sizable PRC company, where his main tasks included (but were not limited to) formulating various management systems for project management, preparing project development plans, coordinating demolition in the early stage of the project, participating in project bidding procurement, overseeing quality control, progress, cost and supervision of on-site management.

In 2013, he served as the deputy general manager of the engineering technology center of that company and his main tasks included (but were not limited to) cooperating with external associations to carry out various reports and approvals, completing the standardized design of the parts and components, the decomposition of the quota design indicators, the definition of the soft and hard ratio of the landscape design and the implementation details of the design changes.

From 2014, Mr. Gong began to serve as the vice president of that company. His main tasks then included (but were not limited to) formulating the overall control plan for the development schedule of the development project, coordinating the progress of the projects of the participating units to be completed in strict accordance with the schedule, organizing various special topics and routine meetings to control and coordinate with technical problems, safety management, safety and civilized construction in the progress of the project, performance appraisal and incentives for the team, management and sales.

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 are of the view that the expertise and experience of Mr. Gong would be very beneficial to the project.

The principal responsibilities of the members of the project management team shall be as follows:

Position	Principal responsibilities
Executive director of the subsidiary of Differ Cultural	Overseeing the general operations
Assistant manager of the subsidiary of Differ Cultural	Overseeing project sales
Deputy property manager of the subsidiary of Differ Cultural	Management of the project properties

Ms. Huo Jing* (霍靜), Executive director of the subsidiary of Differ Cultural, is responsible for overseeing the general operations. Prior to joining the Group, she served as deputy general manager of a PRC property services company from 2004 to 2014.

Mr. Jiang Hai Long* (蔣海龍), Assistant manager of the subsidiary of Differ Cultural, is responsible for overseeing the project sales. Prior to joining the Group, he has taken up various sales and marketing managerial positions at PRC real estate related companies since 2002.

Mr. Ma Yuan Xiang* (馬元祥), Deputy property manager of the subsidiary of Differ Cultural, is responsible for management of the project properties. Prior to joining the Group, he has taken up various managerial roles at property related companies since 2010.

The Directors (including the independent non-executive Directors who have taken into account the advice from Euto) believe that the Acquisition is in the interests of the Group and the Shareholders as a whole as the Acquisition represents a strategic geographic expansion of the Group in line with the Group's general business strategy.

Based on the above, the Board (including the independent non-executive Directors who have taken into account the advice from Euto) 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.

OUTSOURCING OF CONSTRUCTION WORK

The Company has a professional team to manage the development project, who are actively involved in project design and overseeing construction. After approving the project plan, the Company will hire a professional construction company with relevant qualifications to undertake construction, as well as a qualified supervisory unit to supervise the whole construction process. The Company used to carry out regular inspections to maintain quality and to ensure that the construction is in line with the original design plan. As such, the Company believes that its internal controls will prevent over-reliance on the outsourced company. The Company believes that there are other comparable contractors in the market which the Company can select from time to time. The Company believes that the Company will always be able to find suitable contractors. Therefore, there will not be any material reliance on any particular outsourced contractor.

The construction of existing property projects of the Group has been outsourced to certain qualified contractors. The construction of Phoenix Ancient Town (鳳凰古鎮) has been outsourced to the qualified contractor, 武夷隆鑫集團有限公司 (Wuyi Longxin Group Limited*), formerly known as 福建省南平市隆鑫建築工程有限公司 (Nanping City, Fujian Province Longxin Construction Engineering Co., Ltd*) ("**Contractor**"), which is an Independent Third Party. The Contractor is a sizable construction company and is located at No. 128 Xinjian Road, Yanping District, Nanping City, Fujian Province.

In selecting the contractor for a particular project, the minimum criteria is as follows: (1) the background of the shareholders and the size of the capital (company strength); (2) the company's qualifications and the main projects undertaken (capacity); (3) the configuration of the project team members; (4) schedule/time requirements; (5) quality standards; (6) project quotations; (8) project progress; (7) settlement of funds; (8) quality assurance. The Company will continue to adopt the same criteria for selection of contractors for the projects under the Acquisition.

The construction contractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the construction contractors are obliged to undertake the entire construction project in strict compliance with the applicable laws and regulations as well as our design specifications and time schedule. In general, the Company pays the contractor around 80% to 90% of the total contract price during the construction process by payments in stages in accordance to the stages of the construction process. The Company usually pays approximately 95% of the total contract price upon the completion of the project and settlement, while holding back the remaining approximately 5% as retention fee for quality warranties purpose.

The construction contractors are generally required to provide the Company with a warranty period of two years, for any losses the Company may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. The Company may also agree to settle the retention fee by instalments over the warranty period. However, the Company will also be able to claw back any portion of such retention fee already remitted to the contractor to cover any losses that may be incurred that is greater than the unremitted portion.

BUSINESS MODEL

The property development business of the Group is primarily in the theme of cultural tourism, covering operation and development of valuable properties in the areas of commercial properties, residential properties, hotel and property management, with cultural tourism characteristic towns as its main focus. The Group has had experience in many high value property development projects such as Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城), which comprised of both commercial and residential properties. The Group outsources the construction work of its property development projects to qualified contractors. The Group usually engages a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. The Group's in-house sales and marketing team is in charge of formulating sales and marketing strategies, setting sales goals, determine of time of pre-sale, pricing policies and payment arrangement. The Group relies on the efforts of its own sales and marketing management team for the sale of most of its properties.

MARKET AND INDUSTRY OVERVIEW

(i) Overview of the PRC real estate market

In line with the growth of the PRC economy and the accelerated fixed assets investment, real estate investment in the PRC has increased rapidly. Consequently, as a result of the PRC's rapid urbanization process and the strong investment appetite in real estate, the total investment in the PRC property market has been increased from approximately RMB8,601 billion in 2013 to RMB10,980 billion in 2017, representing a CAGR of approximately 5.01%, as stated in the website of the National Bureau of Statistic of China http://www.stats.gov.cn/tjsj/.

As further noted from an article entitled "List of major real estate policies issued by the PRC government in 2018* (中國政府2018年出台的房地產主要政策一覽)" as published by Reuters (https://cn.reuters.com/article/背景資料%EF%BC%9A中國政府2018年出台的房地產主要政策一覽-idCNL4S1V61YS), we note that it is the intention of the PRC government to (i) improve the long-term mechanism to promote the stable and healthy development of the real estate market, (ii) maintain the continuity and stability of the real estate market regulation policy, (iii) distinguish central and local powers, and (iv) implement differentiated regulation on the property market. We further note that the PRC government imposed cooling measures, including lending curbs, higher mortgage rates and restrictions on the number of homes each family can buy, which will potentially slow down the growth in the PRC properties market and results in a decline in the demand in real estate. However, despite the cooling measures in the housing market imposed by PRC government, after taking into account the growth in demand in both the overall real estate investment and construction as demonstrated above, the Company is of the view that the overall property market in the PRC remains positive which will lead to a potential growth in the developing province under the real estate development sector.

(ii) Overview of the real estate development in Zhejiang

The Land is located in the city of Lishui, Zhejiang Province. As one of the prefecture level Province, Zhejiang witnessing strong market demands for commercial properties. Based on the data relating to Zhejiang Province real estate development investment indicator (房地產投資主要指標)for the period from 2012 to 2017, available on the official website of Zhejiang Sheng Tong Ju Ju* (浙江省統計局)(http://tjj.zj.gov.cn/), the total investment in commercial properties in Zhejiang Province has been increased from approximately RMB58.50 billion in 2013 to approximately RMB94.21 billion in 2017, representing a CAGR of approximately 10.0%. In view of the above growing trend, the commercial properties development market in Zhejiang has maintained a steady growth.

In respect of the property price of the commercial properties located in Lishui, 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), the average monthly pricing of the commercial properties in Lishui for the ten months ended 31 October 2018 was approximately RMB26,195 per square meter, representing an increase of approximately 14.41% as compared to the average monthly pricing of the same for the year 2017 of approximately RMB22,896 per square meter. According to the above research results, there is a growing trend in the development of commercial properties in Lishui of Zhejiang Province showing a potential investment return to the Group upon completion of Acquisition.

RISK FACTORS

(i) The performance of the Target Group depends upon the performance of the PRC property market, which in turn is subject to fluctuations in market conditions and economic performance

As at the Latest Practicable Date, the Target Group concentrate on the development of commercial developments in the PRC. Therefore, if the property market, particularly the property market in the PRC performed badly, it would have a direct negative impact on the performance of the Target Group.

(ii) Unable to successfully complete the construction on time

The construction of the property development project i.e. Phoenix Ancient Town* (鳳凰古鎮) require substantial capital expenditures prior to and during the construction period, and construction of a property project may take longer than half year before the development generates cash flow through pre-sale or sale. The progress and costs of the development project may be affected by factors including (a) delay in obtaining necessary certificates, licenses, permits or approval from government authorities; (b) changes in market conditions; (c) delays in or increased cost of materials, equipment and skilled labor; labor disputes; and adverse weather conditions. In view of the above, the Target Group's inability to complete projects as planned may have a material adverse effect on the Target Group's business, financial conditions, results of operations and prospects.

(iii) Risk of delay and impact on income

During the construction phase the Land will not generate any income for the Group. This period may be prolonged if completion of the construction phase is delayed. As disclosed in the valuation report, appendix V of this circular, only portion of Real Estate Title Certificate and Pre-sale Permits have been obtained for the Land. There is a risk that given the lengthy construction phase (with completion expected on or before second quarter of 2019), the commercial property market may deteriorate, in which case the Group's financial return may be less than expected.

COMPANY'S PLANS OF MITIGATION

Although the Board cannot guarantee that there will be no further measures implemented by the PRC government to control the growth of the property market, or that there will be no major negative changes in the PRC's economy, the Board will take all reasonable steps, by setting up a risk management committee, consisting of (i) Mr. Hong, the chairman and the executive Director of the Company; (ii) Mr. You Wei* (遊瑋), the in-house PRC lawyer; (iii) Mr. Gong Bin* (宮斌), the project leader of Phoenix Ancient Town (鳳凰古鎮); (iv) Ms. Huo Jing* (霍靜), executive director of the subsidiary of Differ Cultural; (v) Mr. Jiang Hai Long* (蔣海龍), assistant manager of the subsidiary of Differ Cultural; and (vi) Mr. Ma Yuan Xiang* (馬元祥), deputy property manager of the subsidiary of Differ Cultural. The risk management committee will aim to (i) monitor and obtain information relating to the regulations or policies as implement or planned by the PRC government, (ii) identify and assess the potential risk of the policies, perform sensitivity analysis on the sales of Properties and (iii) assess the timing for the pre-sale of the Properties, etc, to monitor the market conditions and the risk faced by the Target Group, and will potentially diversify the risk through formation of strategic alliance. For backgrounds of Mr. Gong Bin* (宮斌), Ms. Huo Jing* (霍靜), Mr. Jiang Hai Long* (蔣海龍) and Mr. Ma Yuan Xiang* (馬元祥), please refer to pages 23 to 24 of this circular.

The Board will mitigate any time risks by professional project management and effective cost control including clear documentation, co-ordination and communication between project parties, selection of experienced and qualified external parties, and timely commencement of marketing.

To mitigate risks of delay and impact on income, the Board will take all reasonable steps, by visiting the site, setting up milestone dates for each certain progress that must be reached, and monitor actual progress against the schedule, to monitor the progress of the construction and avoid any delay. The Board will perform a systematic and comprehensive feasibility analysis, a timely start to the marketing of the project and potentially sharing the risks through formation of strategic alliances.

Although only a portion of the Real Estate Title Certificate and Pre-sale Permits have been obtained for the Land, as advised by the Company's PRC lawyer, Tian Yuan Law Firm, there is no material foreseeable obstacle for the Target Group to obtain the remaining portion of the Real Estate Title Certificate and Pre-sale Permits, upon fulfilment of the relevant requirements (including the completion of construction and discharge of mortgage, respectively) and submission of the necessary documents. Based on the legal opinion issued by the Company's PRC lawyer, (i) only possessing portion of the Real Estate Title Certificate and Pre-sale Permits for now does not affect the title of the Land; (ii) PRC Subsidiary B is the legal and effective owner of the land use rights of the Land.

Major certificates and/or approvals in relation to the Land

The Real Estate Title Certificate《不動產權證書》are yet to be fully obtained as the Land has not yet reached the stage of the project development process. Subsequent to obtaining the State-owned Land Use Rights Certificates《國有土地使用權證》, the PRC Subsidiary B applied for and obtained a construction land planning permit《建設用地規劃許可證》from the municipal planning authority. After obtaining the said construction land planning permit, the PRC Subsidiary B conducted all necessary planning and design works in accordance with relevant planning and design requirements, which was submitted to the municipal planning authority, and a construction work planning permit《建設工程規劃許可證》was subsequently obtained from the municipal planning authority. The PRC Subsidiary B then applied for a construction work commencement permit《建築工程施工許可證》from the relevant construction authority.

Upon the completion of real estate development project, the real estate development enterprise shall submit an application to the competent department of real estate development of local people's government at or above county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Construction Work Completion and Inspection Certificate/Table《建設工程竣工驗收證／表》. A real estate project shall not be delivered before passing the acceptance examination. After passing the acceptance examination, the PRC Subsidiary B can proceed to applying for the remaining Real Estate Title Certificates for PRC Subsidiary B itself or for the purchasers of the development properties.

Before the PRC Subsidiary B sells the development properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit《預售許可證》. As portions of the land use rights and properties under development were pledged against certain bank borrowings of the PRC Subsidiary B ("**Mortgage**"), the grant of the remaining Pre-Sale Permits will be subject to the discharge of the Mortgage. The PRC Subsidiary B will repay certain bank borrowings in appropriate time in order to discharge of the Mortgage and obtain the remaining Pre-Sales Permits in stages.

Due to the aforesaid reasons, portion of the Real Estate Tile Certificates and Pre-Sale Permits are yet to be obtained by PRC Subsidiary B and will not be obtained prior to Completion.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there are an aggregate outstanding Share Options to subscribe for 43,238,000 Shares, all of which were granted on 25 April 2016 at exercise price of HK$0.734 per Share.

As at the Latest Practicable Date, the Company has 5,330,387,880 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Consideration Shares; and (iii) immediately upon the allotment and issue of Consideration Shares and the exercise of all outstanding share options and assuming there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date:

	(i) As at the Latest Practicable Date		(ii) Immediately upon the allotment and issue of Consideration Shares		(iii) Immediately upon the allotment and issue of Consideration Shares and the exercise of all outstanding share options	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Expert Corporate *(Note 1)*	1,968,200,000	36.92%	1,968,200,000	30.93%	1,968,200,000	30.72%
The Vendor *(Note 2)*	–	–	1,033,000,000	16.23%	1,033,000,000	16.12%
Mr. Hong *(Note 4)*	–	–	–	–	6,400,000	0.10%
Sub-total of the Concert Group	**1,968,200,000**	**36.92%**	**3,001,200,000**	**47.16%**	**3,007,600,000**	**46.94%**
Ever Ultimate Limited *(Note 3)*	1,115,800,000	20.93%	1,115,800,000	17.54%	1,115,800,000	17.42%
Mr. Ng Chi Chung *(Notes 3 & 4)*	12,098,000	0.23%	12,098,000	0.19%	18,498,000	0.29%
Public Shareholders	2,234,289,880	41.92%	2,234,289,880	35.11%	2,234,289,880	34.87%
Other holders of share options *(Note 4)*	–	–	–	–	30,438,000	0.48%
Total	5,330,387,880	100.00%	6,363,387,880	100.00%	6,406,625,880	100.00%

Notes:

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, the executive Director of the Company. Mr. Ng Chi Chung is therefore deemed to be interested in the Shares owned by Ever Ultimate Limited.

4. The share options refer to the total of 43,238,000 outstanding share options granted by the Company on 25 April 2016 pursuant to the share option scheme of the Company adopted on 26 November 2013.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Completion, the Target Company, the HK Subsidiary, the PRC Subsidiary A, the PRC Subsidiary B and the PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the financial results of the Group

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 2018. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 41.8% from approximately RMB3,350.2 million to approximately RMB4,752.1 million and its total liabilities would increase approximately 73.8% from approximately RMB1,875.0 million to approximately RMB3,258.4 million. As advised by the Vendor, the original costs of the Target Group is approximately RMB100,001,300. The Board noted that the Consideration represents 5.0 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 2018; and

ii) the original acquisition cost are paid by Vendor to her connected parties mainly for reorganization purpose. Accordingly, it did not represent the fair value of the properties.

Accordingly, the Board is of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole 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 loss attributable to owners of the company of approximately RMB0.4 million for the period from 1 January 2018 to 30 September 2018. The Acquisition would lead to a decrease on the Group's earnings if the Acquisition were completed on 1 January 2018.

APPLICATION FOR LISTING

The Consideration Shares comprising 1,033,000,000 Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM. 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.

IMPLICATIONS UNDER LISTING RULES

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition in aggregate with the previous transactions of the Company namely, the (i) major transaction in relation to the participation of the acquisition of land plots in Zhejiang Province as per the Company's announcement dated 8 November 2018, which was subsequently reclassified as a very substantial acquisition as per the Company's clarification announcement dated 13 November 2018; (ii) discloseable transaction in relation to acquisition of entire issued share capital of Karhoe Company Limited as per the Company's announcement on 27 July 2018; and (iii) major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited as disclosed in the Company's announcement dated 21 November 2017 exceeds 100%, the Acquisition constitutes a very substantial acquisition transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and the Shareholders' approval requirements under the Listing Rules.

As the Vendor is the spouse of Mr. Hong, who is 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 100% and the Consideration of the Acquisition exceeds HK$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the issued share capital of the Company comprises 5,330,387,880 Shares and the Concert Group is interested in 1,968,200,000 Shares in aggregate, representing approximately 36.92% of the issued share capital of the Company. Following the allotment and issue of the Consideration Shares, the shareholding of the Concert Group in the Company will be increased to 3,001,200,000 Shares in aggregate, representing approximately 47.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As the Acquisition will increase the Concert Group's collective holding of voting rights of the Company by more than 2%, in the absence of the Whitewash Waiver, the Vendor would be under an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Vendor has confirmed that, other than (i) 1,968,200,000 Shares held by the Concert Group; (ii) outstanding options granted to Mr. Hong under the share option scheme entitling the Concert Group to acquire 6,400,000 Shares (representing approximately 0.12% of the issued share capital of the Company as at the Latest Practicable Date) upon exercise of these options in full; and (iii) the transactions contemplated under the Agreement:

(a) none of the members of the Concert Group has received any irrevocable commitment from the Independent Shareholders in relation to voting in favour of or against the resolutions in respect of the Acquisition, the transactions contemplated thereunder or the Whitewash Waiver at the EGM;

(b) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;

(c) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of any of the members of the Concert Group (to which is a corporation) or the Company and which might be material to the Acquisition, the transactions contemplated thereunder or the Whitewash Waiver;

(d) there is no agreement or arrangement to which any members of the Concert Group is a party which related to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition, any transactions contemplated thereunder or the Whitewash Waiver (save as the conditions precedent to the Agreement); and

(e) none of the members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Concert Group has confirmed that as at the Latest Practicable Date, other than entering into of the Agreement, none of the members of the Concert Group have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the Latest Practicable Date.

The Vendor has made an application to the Executive for the Whitewash Waiver. The Executive has indicated its agreement subject to approval by Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Acquisition.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE, CONNECTED TRANSACTION INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee comprising of all the non-executive Directors and the Connected Transaction Independent Board Committee comprising of all the independent non-executive Directors have been formed to advise the Independent Shareholders on the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, which none of the members of the Independent Board Committee and the Connected Transaction Independent Board Committee has any material interest therein.

With the approval of the Connected Transaction Independent Board Committee and the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, the Company has appointed Euto as the independent financial adviser to advise the Connected Transaction Independent Board Committee, Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the terms of the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and as to voting by the Independent Shareholders.

EGM

A notice convening the EGM to be held at Units 1102-03, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 18 January 2019 at 11:00 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 aggregate of 1,968,200,000 Shares, representing approximately 36.92% 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 at the EGM. Furthermore, save as Mr. Hong, no other Director has material interest in the Acquisition and the transactions contemplated thereunder, and as such, save as Mr. Hong, no other Director is required to abstain 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 Agreement and the transactions contemplated thereunder.

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.

The results of the EGM will be published after the conclusion of the EGM on the websites of the Stock Exchange and the Company.

INTENTIONS REGARDING THE COMPANY AND ITS EMPLOYEES

It is the intention of the Vendor that the Company will maintain its existing business after Completion. Regardless of whether the Acquisition is or is not approved by Shareholders, the Company will continue to carry on its existing businesses. Further, if the Acquisition is approved by the Shareholders, the size of asset management business (including property development business) of the Company will increase, thus its other existing business will be comparatively scaled down. The Company might consider to retain additional staff and financial resources with a view to enhance the scale, efficiency and productivity of the existing businesses of the Group. However, the Company will conduct a review on the business operation and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Company may consider diversifying the business of the Group with an objective to broaden its income source. As at the Latest Practicable Date, the Company has not yet formulate any concrete plan for diversification.

As at the Latest Practicable Date, the Vendor and its concert parties have no intention to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 to 42 of the circular and the letter from the Connected Transaction Independent Board Committee set out on pages 37 to 39 of the circular. The Independent Board Committee, having taken into account of the advice from Euto, the text of which is set out on pages 43 to 104 of this circular, considers that the Acquisition and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, are upon normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, 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 and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

The Connected Transaction Independent Board Committee, having taken into account of the advice from Euto, the text of which is set out on pages 43 to 104 of this circular, considers that the Acquisition and the transactions contemplated thereunder and the Specific Mandate are upon normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the transactions contemplated thereunder and the Specific Mandate, are in the interest of the Company and the Shareholders as a whole. Accordingly, the Connected Transaction Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder and the Specific Mandate.

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 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 EGM to approve the Acquisition and the transactions contemplated thereunder and the grant of the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Connected Transaction Independent Board Committee set out on pages 37 to 39 of the circular; (ii) the letter from the Independent Board Committee set out on pages 40 and 42 of this circular; and (iii) the letter of advice from the Independent Financial Adviser set out on pages 43 to 104 of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the transactions contemplated thereunder (including the grant of Specific Mandate to allot and issue of the Consideration Shares and the Whitewash Waiver) and the principal factors considered by it in arriving at its recommendation.

WARNING

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent in the Agreement for Completion that the Whitewash Waiver has been obtained. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Agreement will lapse and the Acquisition will not proceed.

As the Completion is subject to the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the Agreement, the Acquisition may or may not proceed. Shareholders, Optionholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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

Yours faithfully,
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)

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

Non-executive Director:
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:
33/F, Differ Fortune Centre,
No. 503 Gaolin Middle Road,
Huli District,
Xiamen City,
Fujian Province, PRC

Principal place of business in Hong Kong:
Room 1602, Euro Trade Centre,
13-14 Connaught Road Central,
Central, Hong Kong

31 December 2018

To the Independent Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRIME THRIVE INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to this circular ("**Circular**") dated 31 December 2018 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 Connected Transaction Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the Acquisition and the transactions contemplated thereunder and the Specific Mandate, 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 Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder and the Specific Mandate.

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 and the transactions contemplated thereunder and the Specific Mandate, 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 43 to 104 of the Circular, we consider that the terms of the Acquisition and the transactions contemplated thereunder, the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the transactions contemplated thereunder are 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 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,
For and on behalf of the Connected Transaction
Independent Board Committee

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

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

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Cayman Islands

Headquarters and principal place of business in the PRC:
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Principal place of business in Hong Kong:
Room 1602, Euro Trade Centre,
13-14 Connaught Road Central,
Central, Hong Kong

31 December 2018

To the Independent Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRIME THRIVE INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to this circular ("**Circular**") dated 31 December 2018 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 and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, 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 Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

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 and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, 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 43 to 104 of the Circular, we consider that the terms of the Acquisition and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition 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 and the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares under the Specific Mandate, the grant of the Specific Mandate and the Whitewash Waiver).

Yours faithfully,
For and on behalf of
Independent Board Committee

CHAN Sing Nun
Independent Non-executive Director

LAM Kit Lam
Independent Non-executive Director

Zeng Haisheng
Independent Non-executive Director

CAI Jianfeng
Non-executive Director

WU Qinghan
Non-executive Director

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31 December 2018

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

Dear Sirs and Madams,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PRIME THRIVE INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser of the Company (the "**Independent Financial Adviser**") to advise the Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver (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 31 December 2018 (the "**Circular**"), of which this letter forms part. Unless the contest requires otherwise, capitalized terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definition" in this Circular.

Reference are made to (i) the announcement of the Company dated 7 November 2018 in relation to, among others, the Acquisition, the Specific Mandate and the Whitewash Waiver, given the Acquisition constitutes a major and connected transaction of the Company under the Listing Rules at that time; and (ii) the clarification announcement made by the Company dated 13 November 2018 informing the public that the Acquisition was aggregated for calculation of the applicable percentage ratio(s) (as defined in the Listing Rules) with the other transactions of the Company and the Acquisition will be reclassified as a very substantial acquisition of the Company pursuant to the Listing Rules.

The Acquisition

On 7 November 2018 (after trading hours), 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 total Consideration of RMB499,972,000 (equivalent to approximately HK$568,150,000).

The Consideration shall be satisfied by way of allotment and issue of the Consideration Shares.

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 Group.

Implications under Listing Rules

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition in aggregate with the previous transactions of the Company namely, the (i) major transaction in relation to the participation of the acquisition of land plots in Zhejiang Province as per the Company's announcement dated 8 November 2018, which was subsequently reclassified as a very substantial acquisition as per the Company's clarification announcement dated 13 November 2018; (ii) discloseable transaction in relation to the acquisition of entire issued share capital of Karhoe Company Limited as per the Company's announcement on 27 July 2018; and (iii) major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited as disclosed in the Company's announcement dated 21 November 2017, exceeds 100%, the Acquisition constitutes a very substantial acquisition 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, who is the chairman, the executive Director and the substantial Shareholder, 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 100% and the Consideration exceeds HK$10,000,000, the Acquisition constitutes a non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Implications under Takeovers Code and application for the Whitewash Waiver

As at the Latest Practicable Date, the Concert Group is interested in 1,968,200,000 Shares in aggregate, representing approximately 36.92% of the issued share capital of the Company. Following the allotment and issue of the Consideration Shares, the shareholding of the Concert Group in the Company will be increased to 3,001,200,000 Shares in aggregate, representing approximately 47.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As the Acquisition will increase the Concert Group's collective holding of voting rights of the Company by more than 2%, in the absence of the Whitewash Waiver, the Vendor would be under an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26 of the Takeovers Code.

An application to the Executive for the Whitewash Waiver will be made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM where voting on the relevant resolution shall be taken by poll.

INDEPENDENT BOARD COMMITTEE

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee, comprising of all the non-executive Directors (including independent non-executive Directors), namely Mr. Chan Sing Nun, Mr. Lam Kit Lam and Mr. Zeng Haisheng, Mr. Cai Jiafeng and Mr. Wu Qinghan, and the Connected Transaction Independent Board Committee comprising of all the independent non-executive Directors, namely Mr. Chan Sing Nun, Mr. Lam Kit Lam and Mr. Zeng Haisheng, has been established in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. None of the members of the Independent Board Committee and the Connected Transaction Independent Board Committee has any material interest in the Acquisition.

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

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Manfred Shiu ("**Mr. Shiu**") is the person signing off the opinion letter from Euto Capital 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 confirmed that there is no relationship 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, the Connected Transaction 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, the Connected Transaction Independent Board Committee and Independent 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 confirmed that there is no 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 (i) the major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited from the Vendor and continuing connected transactions in relation to the provisions of financial assistance, of which the respective circular was dated 23 December 2017 and (ii) the disclosable and connected transaction in relation to the acquisition of 6.25% equity interest in Zhongnan Chengzhang (Tianjin Shi) Equity Investment Fund Partnership Limited (Limited Partnership) from Fujian Differ Venture Capital Company Limited* (福建省鼎豐創業投資有限公司), which is owned as to 99% by Ms. Cai Danni, the daughter of Mr. Cai Danni, and as to 1% by Mr. Wu Zhipei, the cousin of Mr. Ng Chi Chung, of which the respective circular was dated 30 November 2016. Apart from normal professional fees for our services to the Company in connection with the previous appointments as mentioned above, as well as this engagement as the Independent Financial Adviser in respect of the Acquisition and the transaction contemplated thereunder, no other arrangement exists whereby we will receive any fees and/or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. We confirmed that there is no relationships or interests between us and the Company, Directors, the Concert Group or their respective substantial shareholders and/or respective associates, or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Accordingly, we consider that the aforementioned previous appointments would not affect our independence, and that we comply with Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Agreement, the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver to the Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, 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.

This circular includes particulars given in compliance with Rule 9.1 of the Takeovers Code for the purpose of giving information relating to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Concert Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading. The Vendor accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading. Therefore, we have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided in this circular. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Target Group, the Vendor or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in this circular were true at the time they were made and at the date of the release of this circular and will continue to be true up to the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonably possible if we are aware of any material change to such representations and/or any change to our view/opinion. We have also assumed that the information we have relied on as set out in this letter will be valid up to the time of the EGM and we are not aware any of the information we have relied on as set out in this letter will change or become invalid in the foreseeable future.

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, the Connected Transaction Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, 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.

PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our opinion to the Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

I. Background of the Acquisition

On 7 November 2018 (after trading hours), the Purchaser, an indirect 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.

(i) Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability on 4 December 2012 and the issued Shares of which have been listed on the Main board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

(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 performance of the Group

Set out below is the financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**") and the interim report of the Company for the six months period ended 30 June 2018 (the "**2018 Interim Report**")

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

		For the year ended 31 December		**For the six months ended 30 June**	
		2016	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Unaudited) *(Restated)*	(Unaudited)
Income from financial related services					
Interest income from:					
– Pawn loans		7,669	–	–	–
– Entrusted loans		73,710	54,162	21,036	33,144
– Money lending		26,597	31,558	13,401	10,867
Income from financial consultancy services		40,367	28,374	28,539	2,810
Income from supply chain agency services		2,266	5,402	3,242	655
Income from guarantee services		9,646	8,888	3,018	9,365
Income from finance lease services		41,404	52,831	30,839	20,503
Sub-total of income from financial related services	**(A)**	**201,659**	**181,215**	**100,075**	**77,344**
Income from assets management business					
Income from disposals/executions of distressed financial assets		32,233	20,233	20,233	3,911
Sales of properties		–	–	–	346,775
Rental income		–	–	–	1,691
Income from disposals of other assets		20,000	5,205	–	–
Finance income		40,976	44,726	22,935	–
Income from provision of asset management solutions		–	39,139	–	–
Dividend income		–	8,750	8,750	–
Sub-total of income from assets management business	**(B)**	**93,209**	**118,053**	**51,918**	**352,377**
Total revenue	**(A) + (B)**	**294,868**	**299,268**	**151,993**	**429,721**
Profit before income tax for the year/period		**193,032**	**216,029**	**121,765**	**205,598**
Profit for the year/period		**142,393**	**170,842**	**98,592**	**143,321**

For the year ended 31 December 2017

As set out in the above table 1, the audited consolidated total revenue of the Group for the year ended 31 December 2017 was increased by approximately RMB4.4 million or 1.5% to approximately RMB299.3 million, as compared with approximately RMB294.9 million for the year ended 31 December 2016. Such increase was attributable to the net effect of the following reasons:

- Assets management services

As further disclosed in the 2017 Annual Report, the Group's income from assets management business was increased by approximately 26.7% from approximately RMB93.2 million for the year ended 31 December 2016 to approximately RMB118.1 million for the year ended 31 December 2017. Although the Group has not disposed any property during the year ended 31 December 2017 as compared with four properties being disposed for the corresponding period in 2016, the increase of the 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 RMB44.7 million; (ii) the Group recorded income from disposal/executions of distressed financial assets and other assets of approximately RMB25.4 million; and (iii) the Group received dividend income of approximately RMB8.8 million from its equity investments.

Besides, the Group also provides asset management solutions to certain clients in the PRC and recorded service income of approximately RMB39.1 million during the year ended 31 December 2017. The Group provided corporate finance and business reorganisations advice to clients. In addition, the Group also assisted with the clients to restructure and market their underlying assets in the most appropriate manner to maximize the selling value. The asset management service incomes are based on the pre-agreed percentage of the selling prices of the underlying assets of clients.

- Financial related services

As disclosed in the 2017 Annual Report, the Group's income from financial related services business was decreased by 10.1% from approximately RMB201.7 million for the year ended 31 December 2016 to RMB181.2 million for the year ended 31 December 2017. The decrease of the income was mainly due to (i) the decrease in the financial consultancy service income of the Group from approximately RMB40.4 million for the year ended 31 December 2016 to RMB28.4 million for the year ended 31 December 2017, which was mainly attributable to the decrease of the number of the customers which lead to decrease of our income from financial consultancy services; (ii) the decrease in the Group's entrusted loan service income by approximately 26.5% from approximately RMB73.7 million for the year ended 31 December 2016 to approximately RMB54.2 million for the year ended 31 December 2017, which was due to the decrease of the number of customers and average interest rate charge; and (iii) the decrease in the Group's guarantee service income by approximately 7.9% from approximately RMB9.6 million for the year ended 31 December 2016 to approximately RMB8.9 million for the year ended 31 December 2017, which was mainly due to the decrease in the number of guarantee service under a prudent approach to approve the application of the guarantee services from potential customers during the year.

As further set out in the table 1, the Group's profit for the year was approximately RMB170.8 million for the year ended 31 December 2017, representing an increase of approximately RMB28.4 million, or 20.0%, from approximately RMB142.4 million for the year ended 31 December 2016. Such increase in profit for the year was mainly attributable to (i) an increase in the total revenue as described above; (ii) an increase in other income from approximately RMB3.4 million for the year ended 31 December 2016 to approximately RMB37.4 million for the year ended 31 December 2017, which was mainly due to the fact that the Group has received large amount of settlements from certain obligors of non-performing loans which the relevant loan receivables have been impaired in previous years; and (iii) the decrease in other expenses from approximately RMB47.4 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017, which was mainly attributable to decrease of impairment loss on finance lease, loan and account receivables of approximately RMB6.4 million and partly offset by the slightly increase of the operating expenses.

For the 6 months ended 30 June 2018

As further disclosed in the 2018 Interim Report, the consolidated financial information for the 6 months ended 30 June 2017 has been restated as a result of applying the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG5**") issued by Hong Kong Institute of Certified Public Accountants, as if the major transaction and connection transaction in relation to the acquisition of the entire issued share capital of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") was completed on 23 January 2018. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if Differ Cultural and its subsidiaries ("**Differ Cultural Group**") had been the subsidiaries of the Group throughout the six months ended 30 June 2017 and 2018, or since their respective dates of incorporation/ establishment where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2017 and 31 December 2017 have been restated to include the assets and liabilities of the companies now comprising the Group.

As set out in the above table 1, the audited consolidated total revenue of the Group was increased from approximately RMB152.0 million for the six months ended 30 June 2017 to approximately RMB429.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB277.7 million or 182.7%. Such increase was attributable to the net effect of the following reasons:

- Assets management services

As set out in the table 1 above, the Group's income from assets management business was increased by approximately 578.7% from approximately RMB51.9 million for the six months ended 30 June 2017 to RMB352.4 million for six months ended 30 June 2018. Such increase was mainly due to the inclusion of the financial information of Differ Cultural Group as mentioned above.

As mentioned above, the acquisition of Differ Cultural Group was completed on 23 January 2018. Differ Cultural Group manages two major residential and commercial property projects, being Differ Sky Realm (鼎豐天境) and 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. Differ Sky Realm 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 sq. m and a total gross floor area of approximately 377,169 sq. m upon completion. The Phase 1 of Differ Sky Realm was completed and delivered to the purchasers in the second quarter of 2018. The Phase 1 of Differ Sky Realm covers a total gross floor area of approximately 75,256 sq. m., of which approximately 94% of the saleable area was sold as at 30 June 2018. The revenue for the Phase 1 of Differ Sky Realm for the six months ended 30 June 2018 was approximately RMB346.8 million.

- Financial related services

As set out in the above table 1, the Group's income from financial related services business was decreased by approximately 22.7% from approximately RMB100.1 million for the six months ended 30 June 2017 to RMB77.3 million for the six months ended 30 June 2018. The decrease of the income was mainly due to (i) a decrease in the Group's finance lease services income by approximately 33.5% from approximately RMB30.8 million for the six months ended 30 June 2017 to approximately RMB20.5 million for the six months ended 30 June 2018, which was mainly due to decrease of contribution of the finance lease income from Hong Kong during the six months ended 30 June 2018; and (ii) the decrease in financial consultancy service income from approximately RMB28.5 million for the six months ended 30 June 2017 to approximately RMB2.8 million for the six months ended 30 June 2018 which was mainly due to the decrease of the number of the customers.

As further set out in the table 1, the Group's profit for the period was approximately RMB143.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB44.7 million, or 45.4%, from approximately RMB98.6 million for the six months ended 30 June 2017. Such increase in profit for the period was mainly attributable to an increase in the total revenue as a result of the inclusion of the financial information of Differ Cultural Group as described above.

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

	As at 31 December		**As at 30 June**
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
	(Restated)	*(Restated)*	*(Restated)*
Non-current assets	643,230	900,379	1,199,621
Current assets	1,695,560	2,406,300	2,150,556
Total assets	**2,338,790**	**3,306,679**	**3,350,177**
Current liabilities	839,145	1,406,437	1,299,521
Non-current liabilities	278,265	528,647	575,462
Total liabilities	**1,117,410**	**1,935,084**	**1,874,983**
Net current assets	**856,415**	**999,863**	**851,035**
Total equity	**1,221,380**	**1,371,595**	**1,475,194**

As at 30 June 2018

- Non-current assets and current assets

As set out in the table 2 above, as at 30 June 2018, non-current assets and current assets of the Group are amounted to approximately RMB1,199,621,000 and RMB2,150,556,000 respectively. Set out below is the breakdown of the non-current assets and current assets of the Group as at 31 December 2017 and 30 June 2018.

Table 3: Breakdown of the consolidated total assets of the Group

	As at	
	31 December 2017	**30 June 2018**
	RMB'000	*RMB'000*
	(Unaudited) *(Restated)*	(Unaudited)
Non-current assets		
Property, plant and equipment	19,847	19,347
Prepaid land lease	6,105	–
Investment properties	321,000	536,800
Interests in associates	20,499	27,162
Restricted bank deposits	10,000	–
Finance lease, loan and account receivables	275,120	310,524
Prepayments, deposits and other receivables	83,038	83,630
Goodwill	33,400	33,400
Financial assets at fair value through profit or loss	–	72,758
Financial assets at fair value through other comprehensive income	–	116,000
Available-for-sales financial assets	131,370	–
	900,379	1,199,621
Current assets		
Financial assets at fair value through profit or loss	–	46,999
Properties held for development	41,403	–
Properties under development	627,860	635,101
Finance lease, loan and account receivables	1,101,485	926,342
Tax prepaid	16,396	–
Prepayments, deposits and other receivables	540,890	375,085
Restricted bank deposits	17,729	11,218
Cash and bank balances	60,537	155,811
	2,406,300	2,150,556
Total assets	**3,306,679**	**3,350,177**

As set out in the above table, the non-current assets of the Group was increased from approximately RMB900.4 million as at 31 December 2017 to approximately RMB1,199.6 million as at 30 June 2018, representing an increase of approximately RMB299.2 million or 33.2%. The increase in non-current assets of the Group was mainly due to (i) an increase in the amount of investment properties from approximately RMB321 million as at 31 December 2017 to approximately RMB536.8 million as at 30 June 2018, representing an increase of approximately 67.2% which was mainly due to acquisition of certain investment properties during the period and a fair value gains on of approximately RMB62.6 million for the six months ended 30 June 2018; and (ii) an increase in the amount of financial assets at fair value through other comprehensive income to approximately RMB116 million as at 30 June 2018; and (iii) an increase in the amount of financial assets at fair value through profit or loss to approximately RMB72.8 million as at 30 June 2018.

Further set out in the above table, the current assets of the Group was decreased from approximately RMB2,406.3 as at 31 December 2017 to approximately RMB2,150.6 million as at 30 June 2018, representing a decrease of approximately RMB255.7 million or 10.6%. Such a decrease was mainly due to (i) a decrease in the amount of prepayments, deposits and other receivables from approximately RMB540.9 million to approximately RMB375.1 million, representing a decrease of approximately 30.7%; and (ii) a decrease in the amount of finance lease, loan and account receivables from approximately RMB275.1 million to approximately RMB310.5 million which was primarily due to a decrease in the Group's finance lease services income during the period.

• Non-current liabilities and current liabilities

As set out in the table 2 above, as at 30 June 2018, current liabilities and non-current liabilities of the Group are amounted to approximately RMB1,299,521,000 and RMB575,462,000 respectively. Set out below is the breakdown of the current liabilities and non-current liabilities of the Group as at 31 December 2017 and 30 June 2018.

Table 4: Breakdown of the consolidated total liabilities of the Group

	As at	
	31 December 2017	**30 June 2018**
	RMB'000	*RMB'000*
	(Unaudited) *(Restated)*	(Unaudited)
Current liabilities		
Trade payables	141,710	228,104
Accruals, other payables, deposits received and deferred income	92,184	127,635
Contract liabilities	912,085	869,666
Provision for taxation	37,932	16,741
Bank and other borrowings	180,801	57,375
Corporate bonds	41,725	–
	1,406,437	1,299,521
Non-current liabilities		
Deposits received and deferred income	31,025	82,158
Bank and other borrowings	61,950	33,263
Corporate bonds	225,199	232,388
Promissory note	120,000	–
Guaranteed notes	–	121,524
Deferred tax liabilities	90,473	106,129
	528,647	575,462
Total liabilities	**1,935,084**	**1,874,983**

As set out in the above table, the current liabilities of the Group was decreased by approximately RMB106.9 million or 7.6% from approximately RMB1,406.4 million as at 31 December 2017 to approximately RMB1,299.5 million as at 30 June 2018. The decrease in current liabilities of the Group was mainly due to the decrease in the amount of bank and other borrowings from approximately RMB180.8 million as at 31 December 2017 to approximately RMB57.4 million as at 30 June 2018 due to the repayment of borrowings during the period.

As further set out in the above table, the non-current liabilities of the Group was increased by approximately RMB46.8 million or 8.9% from approximately RMB528.6 million as at 31 December 2017 to approximately RMB575.5 million as at 30 June 2018. Such increase was mainly due to the increase in the amount of deposits received and deferred income and guaranteed notes recognized from approximately RMB31.0 million to approximately RMB82.2 million during the period.

As at 30 June 2018, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB167.0 million (31 December 2017 (restated): approximately RMB78.3 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was approximately 13.3% as at 30 June 2018 (31 December 2017 (restated): approximately 19.0%). The current ratio is 1.65 times as at 30 June 2018 (31 December 2017 (restated): 1.71 times). The Group did not use any financial instruments for hedging purpose.

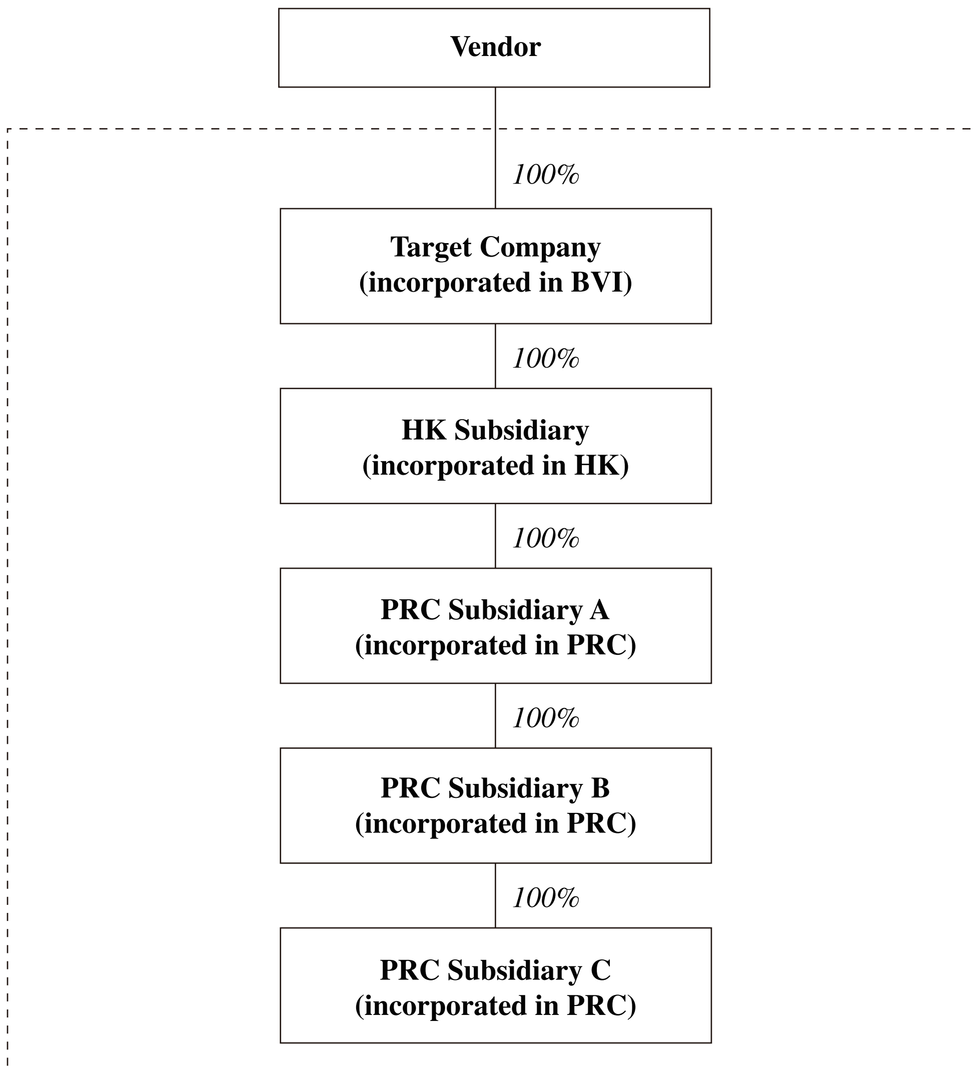
(ii) Information of the Vendor

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 Latest Practicable Date:



(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 company incorporated in the BVI with limited liability on 22 July 2011 and its 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.

- The HK Subsidiary

The HK Subsidiary is a company incorporated in Hong Kong with limited liability on 15 October 2018 and its principal business of the HK Subsidiary is investment holding. As at the Latest Practicable Date, the HK Subsidiary is directly wholly-owned by the Target Company.

- PRC Subsidiary A

PRC Subsidiary A is a company established in the PRC with limited liability on 16 October 2018 and its principal business of PRC Subsidiary A is investment holding. As at the Latest Practicable Date, PRC Subsidiary A is directly wholly-owned by the HK Subsidiary.

- PRC Subsidiary B

PRC Subsidiary B is a company established in the PRC with limited liability on 21 November 2013 and its principal business of PRC Subsidiary B is tour development and management. As at the Latest Practicable Date, PRC Subsidiary B is directly wholly-owned by the PRC Subsidiary A.

- PRC Subsidiary C

PRC Subsidiary C is a company established in the PRC with limited liability on 16 January 2015 and its principal business of PRC Subsidiary C is property development and operation. As at the Latest Practicable Date, PRC Subsidiary C is directly wholly-owned by the PRC Subsidiary B.

(c) Financial information of the Target Group

As advised by the Vendor, the HK Subsidiary and the PRC Subsidiary A have been incorporated and established for a short period. Due to the short operation history of the HK Subsidiary and the PRC Subsidiary A, the financial performances of the said companies are insignificant.

Set out below are the key consolidated financial information of the Target Group (excluding the HK Subsidiary and the PRC Subsidiary A) as extracted from its audited consolidated management accounts for each of the two financial years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018.

Table 5: Summary of the audited consolidated financial performance of the Target Group

	Year ended 31 December			**Nine months ended 30 September**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	–	–	–	–	–
Profit/(loss) for the year/period	5,639	(1,341)	(1,508)	(1,316)	(731)

During the three financial years ended 31 December 2017 and for the 9 months ended 30 September 2018, the Target Group has yet to record any revenue since the Target Group is still as at the stage of development since its date of establishment.

For the year ended 31 December 2016

For the financial year ended 31 December 2016, the loss after taxation of the Target Group was amounted approximately RMB1,341,000, representing a decrease of approximately RMB6,980,000 when compare to the corresponding year. The significant decrease in net profit from approximately RMB5,639,000 for the year ended 31 December 2015 to a net loss of approximately RMB1,341,000 for the year ended 31 December 2016 was mainly attributable to gain on bargain purchase arising from acquisition of subsidiaries of approximately RMB18,082,000 for the year 2015, which partly offset by the effect of the loss on (i) disposal of a subsidiary of approximately RMB5,836,000 and (ii) finance costs of approximately RMB3,250,000 incurred in the same year.

For the year ended 31 December 2017

For the financial year ended 31 December 2017, the loss after taxation of the Target Group was amounted to approximately RMB1,508,000, representing a decrease of approximately 12.45% or RMB167,000 when compare to the corresponding year. It was mainly due to the increase in administrative and other expenses from approximately RMB1,350,000 for the year 2016 to approximately RMB1,471,000 for the year 2017.

For the nine months ended 30 September 2018

For the 9 months periods ended 30 September 2018, the loss after taxation of the Target Group was amounted approximately RMB731,000, representing a decrease of approximately 44.45% or RMB585,000 when compare to the corresponding year. The decrease in net loss from approximately RMB1,316,000 for the nine months period ended 30 September 2017 to RMB731,000 for the nine months period ended 30 September 2018 was mainly due to the decrease of administrative and other expenses of approximately RMB528,000.

Table 6: Summary of the audited consolidated statement of financial performance of the Target Group

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Non-current assets	30	16	6	–
Current assets	1,042,417	1,363,389	1,348,663	1,391,416
Total assets	**1,042,447**	**1,363,405**	**1,348,669**	**1,391,416**
Non-current liabilities	450,988	689,237	636,535	588,079
Current liabilities	468,464	552,515	591,988	683,923
Total liabilities	**919,452**	**1,241,752**	**1,228,523**	**1,272,002**
Net assets	**122,995**	**121,653**	**120,146**	**119,414**

As at 30 September 2018

As at 30 September 2018, the total assets of the Target Group was amounted to approximately RMB1,391,416,000 and recorded an increase of approximately RMB42,747,000 or 3.17% when compare to the total asset value of the year ended 31 December 2018. The total assets of the Target Group as at 30 September 2018 comprised only the current assets.

The increase in total assets of the Target Group as at 30 September 2018 when compare to the total asset value of the year ended 31 December 2017 was mainly attributable to the increase of property under development of approximately RMB40,694,000 from approximately RMB1,346,004,000 to RMB1,386,698,000.

Regarding the total liabilities of the Target Group as at 30 September 2018, it was amounted to approximately RMB1,272,002,000, representing an increase by approximately RMB43,479,000 or 3.54% when compared to that as at 31 December 2017. It is noted that such increase was mainly due to the increase in current liabilities as a result of the increase in the amount due to related companies from approximately RMB4,238,000 to approximately RMB334,872,000; and partly offset by the effect of decrease of accruals and other payables of approximately RMB314,852,000.

(c) Expertise of the management of the Target Group

As stated in the Letter, upon completion of the Acquisition, the Group will appoint certain management team from Differ Cultural Group to the Target Group, Mr. Gong Bin (宮斌) shall be the project leader of Phoenix Ancient Town (鳳凰古鎮). Mr. Gong joined the Group on June 2017 and has had extensive experience overseeing property development projects of various property development companies.

From 2008 to 2012, Mr. Gong served as the executive manager at the engineering department of a sizable PRC company, where his main tasks included (but were not limited to) formulating various management systems for project management, preparing project development plans, coordinating demolition in the early stage of the project, participating in project bidding procurement, overseeing quality control, progress, cost and supervision of on-site management.

In 2013, he served as the deputy general manager of the engineering technology center of that company and his main tasks included (but were not limited to) cooperating with external associations to carry out various reports and approvals, completing the standardized design of the parts and components, the decomposition of the quota design indicators, the definition of the soft and hard ratio of the landscape design and the implementation details of the design changes.

From 2014, Mr. Gong began to serve as the vice president of that company. His main tasks then included (but were not limited to) formulating the overall control plan for the development schedule of the development project, coordinating the progress of the projects of the participating units to be completed in strict accordance with the schedule, organizing various special topics and routine meetings to control and coordinate with technical problems, safety management, safety and civilized construction in the progress of the project, performance appraisal and incentives for the team, management and sales.

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 Directors' view that the expertise and experience of Mr. Gong would be very beneficial to the project.

(d) Outsourcing of construction work

As further stated in the Letter, the Company has a professional team to manage the development project, who are actively involved in project design and overseeing construction. After approving the project plan, the Company will hire a professional construction company with relevant qualifications to undertake construction, as well as a qualified supervisory unit to supervise the whole construction process. The Company used to carry out regular inspections to maintain quality and to ensure that the construction is in line with the original design plan. As such, the Company believes that its internal controls will prevent over-reliance on the outsourced company. The Company believes that there are other comparable contractors in the market which the Company can select from time to time. The Company believes that the Company will always be able to find suitable contractors. Therefore, there will not be any material reliance on any outsourced contractor.

The construction of existing property projects has been outsourced to the qualified contractors.

In selecting the contractor for a particular project, the minimum criteria is as follows: (1) the background of the shareholders and the size of the capital (company strength); (2) the company's qualifications and the main projects undertaken (capacity); (3) the configuration of the project team members; (4) schedule/time requirements; (5) quality standards; (6) project quotations; (7) project progress; (8) settlement of funds; (9) quality assurance. The Company will continue to adopt the same criteria for selection of contractors for the projects under the Acquisition.

The construction contractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the construction contractors are obliged to undertake the entire construction project in strict compliance with the applicable laws and regulations as well as the Company's design specifications and time schedule. In general, the Company pays the contractor around 80% to 90% of the total contract price during the construction process by payments in stages in accordance to the stages of the construction process. The Company usually pays approximately 95% of the total contract price upon the completion of the project and settlement, while holding back the remaining approximately 5% as retention fee for quality warranties purpose.

The construction contractors are generally required to provide the Company with a warranty period of two years, for any losses the Company may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. The Company may also agree to settle the retention fee by instalments over the warranty period. However, the Company will also be able to claw back any portion of such retention fee already remitted to the contractor to cover any losses that may be incurred that is greater than the unremitted portion.

Our view

In light of the above, we have reviewed the construction agreements entered into between the Company and the qualified contractors in respect of the Group's existing property projects, we noted that the construction of the existing property projects has been outsourced to several different qualified contractors which indicated the Group's ability in soliciting new contractors in carrying out the construction in the past. Hence, we are of the view that the Group was able to secure new contractors and did not have any significant reliance on one single contractors. Together with the internal controls as mentioned above, including the details of the outsourcing companies engaged by the Company and available in the market and the selection criteria, we considered that the outsourcing of construction work does not indicate any material inefficiency in the whole construction process.

(e) Business model of the Target Group

The property development business of the Group is primarily in the theme of cultural tourism, covering operation and development of valuable properties in the areas of commercial properties, residential properties, hotel and property management, with cultural tourism characteristic towns as its main focus. The management of Group has had 3 years' experience in managing high value property development projects such as Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城), which comprised of both commercial and residential properties. The Group outsources the construction work of its property development projects to qualified contractors. The Group usually engages a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. The Group's in-house sales and marketing team is in charge of formulating sales and marketing strategies, setting sales goals, determine of time of pre-sale, pricing policies and payment arrangement. The Group relies on the efforts of its own sales and marketing management team for the sale of most of its properties.

(f) Guarantee Service Agreement

As disclosed under Note 30, related party transactions, of Appendix II of this Circular, that on 19 January 2018, the Target Group entered into a guarantee service agreement with Jingning Differ. The terms are as follows:

Guarantor:	Jingning Differ
Borrower:	PRC Subsidiary B
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 to PRC Subsidiary B
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 23 January 2018 to 30 September 2022

The Vendor and Mr. Hong have executed a counter indemnity to counter indemnify Jinging Differ for all loss, liabilities and expenses which may be suffered or incurred by Jinging Differ.

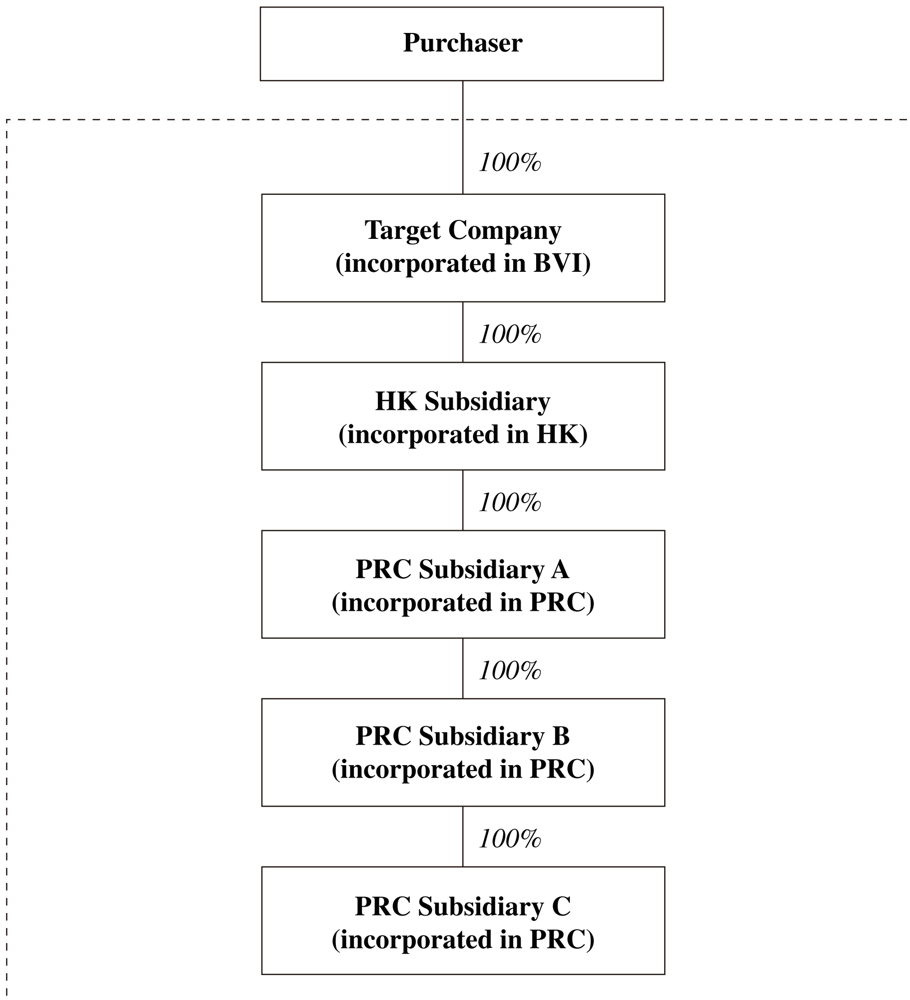
As at the Latest Practicable Date, the said Guarantee Service Agreement is a transaction for provisions of financial assistance and amount to non-exempt continuing connected transactions of the Company and are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The independent shareholders of the Company have approved the said Guarantee Service Agreement on 12 January 2018. For further details of the said Guarantee Service Agreement please refer to the circular of the Company dated 23 December 2017.

Upon completion of the Acquisition, PRC Subsidiary B and Jingning Differ will become fellow subsidiaries of the Company, then the PRC Subsidiary B and Jingning Differ are no longer connected parties pursuant to Chapter 14A of the Listing Rules.

Given PRC Subsidiary B and Jingning Differ will become fellow subsidiaries of the Company upon completion of the Acquisition and are no longer connected parties and the terms of such Guarantee Service Agreement has been approved by the Shareholders on 12 January 2018, we consider that the transaction contemplated under the Guarantee Service Agreement is fair and reasonable and is in the interest of the Company as a whole.

II. Transaction structure of the Acquisition

The diagram below shows the shareholding structure of the Target Group immediately upon Completion.



III. Reasons for and benefits of entering into the Agreement

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 interim report of the Company for 2018, the Group consider the asset management business is the key growth driver and actively looks for opportunity to expand this business. The Group continued its business strategy and is actively looking for the good quality assets which potentially offer high-percentage returns in other provinces.

The Acquisition was first discussed and contemplated on or around late August 2018. Mr. Hong initiated discussion with Mr. Ng Chi Chung, the chief executive officer and executive director of the Company about the potential disposal of Phoenix Ancient Town (鳳凰古鎮) to the Company. Mr. Hong and the Board consider that the Land and the property development erected thereon will offer positive investment return to the Group. As the chairman of the board of directors and substantial shareholder of the Group, Mr. Hong's efforts are now primarily focused on the Group. As advised by Mr. Hong that was one of the reason for Mr. Hong to transfer the entire issued share capital of Dragon Holdings to his sister, Ms. Hong Mei Guan (洪美觀) on 13 November 2018. Furthermore, Mr. Hong considers as he is also one of the Shareholders of the Company, he will also enjoy the growth with the Company and its Shareholders as a whole in the future.

As the location of the two projects of Phoenix Ancient Town (鳳凰古鎮), the subject of the Acquisition, and Differ Sky Realm (鼎豐天境), owned by the Group, are adjacent to each other and the Phase 1 of Differ Sky Realm has been completed and delivered to the purchasers in the second quarter of 2018, the experienced sales team of Differ Sky Realm will be available to handle the sales of properties at Phoenix Ancient Town (鳳凰古鎮). Further, with the completed construction of the nearby roads, there will be increase of consumer traffic flow and also with the increased flow of people in the area generated from the development of Differ Sky Realm (鼎豐天境), Phoenix Ancient Town (鳳凰古鎮) will in turn benefit from that.

The Group's original asset management business is mainly focus on the distressed assets, mostly lands and properties. The Group seeks opportunities to acquire distressed assets from banks or other entities or individuals at attractive prices. After acquiring the distressed assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors and will then formulate plans to achieve recovery based on the Group's target on profit, cash flow, cost and return on investments.

Following the completion of the acquisition of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") and its subsidiaries ("**Differ Cultural Group**") in January 2018, the Board considers the property development business to be an extension of the Company's original asset management business and a key link in asset consolidation and asset value enhancement. The major differences of the original asset management business and the property development business is that:

i) For the original asset management business, the Group acquires of lands and 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 in a short period of time. The Group did not involve of the property construction process; and

ii) For the property development business, the Group acquires of lands and properties at competitive prices and planned to dispose large number of units of the properties to different customers. The Group outsources the construction work of its property development projects to qualified constructors.

The existing business of the Group involves many valuable assets such as secured collateral, distressed assets, distressed debts and other value assets, many of which are linked with lands and properties under constructions. The experience of the Group under its existing business has greatly enhance the property value evaluation, cost control and disposal of properties. At present, the Group's property development business has full capacity of independently developing and operating valuable assets, and has become a key driver for the Group's overall revenue and profit growth.

Phoenix Ancient Town (鳳凰古鎮) is located at the northern side of Renmin North Road and the eastern side of Waishe Road, Lishui, Zhejiang Province, the PRC. Phoenix Ancient Town (鳳凰古鎮) is a commercial cultural development with total site area of approximately 173,933.62 sq. m. and is currently under construction. Phoenix Ancient Town (鳳凰古鎮) will comprise a total planned gross floor area of approximately 311,585.3 sq.m. The Land and property development acquired from the Acquisition is adjacent to the major residential project of Differ Cultural Group, namely Differ Sky Realm (鼎豐天境) located in Lishui, the PRC. The Group plans to construct approximately 96 buildings on the Land. The said buildings are all antique buildings with a total height of 2-3 floors, creating a historical and cultural touch. The aim of the whole project is to create a one-stop She (佘族) cultural ancient street area filled with shopping, leisure, restaurants, entertainment, culture, tourism, hotels and street performances. The Phase 1 of Differ Sky Realm (鼎豐天境) which was completed and delivered to the purchasers in the second quarter of 2018 and the Phase 2 of the said property will be completed and delivered to the purchasers in near future, the Board considers that this will greatly increase the flow of people in the area and bring considerable sales to the commercial project, Phoenix Ancient Town (鳳凰古鎮). Further, as the Consideration represents approximately 6% discount of the Adjusted NAV, the Board considers the Acquisition to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board, having considered the overview of the economy of the areas where the properties developments are located and the expertise of the management for the development of the properties, believe that the Land and the properties under development (the "**Properties**") held by the Target Group will offer a positive business opportunity and return to the Company through the sales of properties.

As at the Latest Practicable Date, the completion date of the construction of Phoenix Ancient Town (鳳凰古鎮) is expected to be by the end of the second quarter of 2019 and revenue is expected to be generated from the second quarter of 2019 to 2021. As at 30 September 2018, over 90% of the development costs have been settled. The amount of remaining development costs to be paid is approximately RMB105 million.

(i) Information about the Land

As stated in the Letter, the PRC Subsidiary B has legally and validly obtained and holds the land use rights for the Land, which is for commercial development and on which a property development project named Phoenix Ancient Town* (鳳凰古鎮) is currently under construction. Upon completion of its construction, Phoenix Ancient Town (鳳凰古鎮) will comprise a total planned gross floor area of approximately 311,585.3 sq. m.

According to the information provided by the Target Group, the Land is located at Lot B1-04, Waishe Zone, Hongxing Neighbour, Jingning Town, Lishui City, Zhejiang Province, the PRC. The locality is a newly developed area where public facilities such as community center and public park are still under development as at the Latest Practicable Date.

Phoenix Ancient Town occupies two parcels of land with a total site area of approximately 173,933.62 sq.m. The subject property was under construction as at the Latest Practicable Date and it had scheduled to complete in March 2019. As advised by the Target Group, upon completion of the aforesaid construction, the subject property will comprise a total planned gross floor area of approximately 311,585.30 sq. m. The classification, usage, details of the property are as below:

Usage	**Planned Gloss Floor Area (sq. m.)**
Retail	190,979.10
Basement (inclusive of car parking spaces)	120,606.20
Total	311,585.30

(ii) Factors in assessing the Acquisition

We have discussed with the management of the Company and understand that during the year 2018, the Company has been actively looking for ways to further diversify its geographical presence by expanding into other locations with suitable demand. As such, the Company paid effort to explore acquisitions of similar target companies or properties including the Acquisition before entering into the Agreement, including potential acquisition of the Properties in the Land, in order to deliver value to the Company and its Shareholders as a whole.

We have interviewed the Directors and reviewed the internal control procedures relating to the Company's effort, including but not limited to (i) planning; (ii) conducting market research; (iii) conducting comprehensive screen of the property market; and (iv) identifying potential target based on the criteria set out below. Based on the results of the above internal control procedures, we have considered, amongst other,

(i) the Management has considered the potential growing trend in the development of Lishui's commercial properties after examining the relevant property market and the Group's intention to deepen penetration in the same region given the Group have had a presence in Lishui already (i.e. the same location of the properties held by Differ Cultural Group), the Group has chosen Lishui as a target location to further enlarge its investment footprints;

(ii) in order to originate acquisition target in Lishui, the Management has (1) conducted research on potential land or property development projects published by the government authorities for any public auctions or tenders and (2) identified the suitable target for the Group based on the criteria set out below. However, apart from the Target Group, there is no other alternative acquisition target in Lishui with similar theme of commercial cultural tourism development as compare to that of the Group; and

(iii) the Management has further analyzed the Target Group based on the criteria relating to the investment return and based on the results as further described in the paragraph below, the Management considered that the Target Group could meet the Group's investment expectation and is in the interest of the Company and Shareholders as a whole. Having considered the above mentioned, we are of the view that the reasons for the Management of not choosing other alternatives target is justifiable.

Whilst identifying the suitable target for the Company before entering into the Agreement, the Company has selected the target based on (i) the reasons for the Group's expansion, (ii) site selection, (iii) breakeven period and (iv) investment payback period together with the assumptions, etc.

In light of the above, we understand that the Land was held by the Vendor through the Target Group and such Land was located next to the properties held by Differ Cultural in the city of Lishui, Zhejiang Province. We have also reviewed the business plan of the Target Group in respect of (i) the estimated timing for completion of the Land constructions, (ii) the estimated timing for sale of Properties, and (iii) the estimated investment return of the Properties for the next three years commencing from January 2019, it is estimated that the Target Group will commence to generate income from sales of properties from second half of 2019 and the investment payback period is estimated to be approximately three years. Having considered (i) the overall property market in Zhejiang and Lishui as analyzed in the paragraph below and (ii) the estimated return as generated by the Target Group under the reviewed business plan, we consider that the Acquisition will be able to enhance the value of the Group and generate stable income from sales of properties to the Company.

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 PRC real estate market

In line with the growth of the PRC economy and the accelerated fixed assets investment, real estate investment in the PRC has increased rapidly. Consequently as a result of the PRC's rapid urbanisation process and the strong investment appetite in real estate, the total investment in the PRC property market has been increased from approximately RMB8,601 billion in 2013 to RMB10,980 billion in 2017, representing a CAGR of approximately 5.01%, as stated in the website of the National Bureau of Statistic of China (http://www.stats.gov.cn/tjsj/).

Set out below is table showing the relevant data relating to the property market in the PRC for the periods indicated under a statistics entitled "Investment Completed by Enterprise for Real Estate Development by Use" published by National Bureau of Statistics of China:

	2013	**2014**	**2015**	**2016**	**2017**
	RMB billion	*RMB billion*	*RMB billion*	*RMB billion*	*RMB billion*
Total real estate investment	8,601	9,504	9,598	10,258	10,980
Investment in residential properties	5,895	6,435	6,460	6,870	7,515
Investment in office properties	465	564	621	653	676
Investment in real properties	1,195	1,435	1,461	1,584	1,564

As noted from the statistics above, there is a growing trend in total real estate investment for the 5 years from 2013 to 2017 and in light of such growing trend, we consider that the growing economy of the PRC had, to a certain extent, driven the investment activities in real estates in the PRC.

As further noted from an article entitled "List of major real estate policies issued by the PRC government in 2018* (中國政府2018年出台的房地產主要政策一覽)" as published by Reuters (https://cn.reuters.com/article/背景資料%EF%BC%9A中國政府2018年出台的房地產主要政策一覽-idCNL4S1V61YS), we note that it is the intention of the PRC government to (i) improve the long-term mechanism to promote the stable and healthy development of the real estate market, (ii) maintain the continuity and stability of the real estate market regulation policy, (iii) distinguish central and local powers, and (iv) implement differentiated regulation on the property market. We further note that the PRC government imposed cooling measures, including lending curbs, higher mortgage rates and restrictions on the number of homes each family can buy, which will potentially slow down the growth in the PRC properties market and results in a decline in the demand in real estate. However, despite the cooling measures in the housing market imposed by PRC government, after taking into account the growth in demand in both the overall real estate investment and construction as demonstrated above, we are of the view that the overall property market in the PRC remains positive which will lead to a potential growth in the developing province under the real estate development sector.

(b) Overview of the real estate development in Zhejiang

As mentioned above, the Land is located in the city of Lishui, Zhejiang Province, the PRC. Lishui 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.

As one of the prefecture level Province, Zhejiang witnessing strong market demands for commercial properties. In order to assess the growth potential of commercial properties in Zhejiang in the coming years, we have conducted research from public domains in relation to the real estate development in Zhejiang region as mentioned below.

Based on the data relating to Zhejiang Province real estate development investment indicator（房地產投資主要指標）for the period from 2012 to 2017, available on the official website of Zhejiang Sheng Tong Ju Ju*(浙江省統計局)(http://tjj.zj.gov.cn/), we note that the total investment in commercial properties in Zhejiang Province has been increased from approximately RMB58.50 billion in 2012 to approximately RMB94.21 billion in 2017, representing a CAGR of approximately 10.0%. In view of the above growing trend, we concluded that the commercial properties development market in Zhejiang has maintained a steady growth.

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 monthly pricing of the commercial properties in Lishui for the 10 months ended 31 October 2018 was approximately RMB26,195 per square meter, representing an increase of approximately 14.41% as compared to the average monthly pricing of the same for the year 2017 of approximately RMB22,896 per square meter.

After considering the above research results, we conclude that there is a growing trend in the development of commercial properties in Lishui of Zhejiang Province showing a potential investment return to the Group upon the completion of Acquisition.

(c) Capital appreciation of the properties under the Land

According to the Valuation Report (as defined below) we noticed that the property value has recorded a market value of approximately RMB1,899,000,000 as at 30 September 2018. Based on the said valuation results, we note that a revaluation surplus was recognized on the Properties (as defined below) of approximately RMB512,302,000, which is calculated by the valuation of the market value of the Properties of RMB1,899,000,000 prepared by the Valuer minus the carrying amount of the Properties of approximately RMB1,386,698,000 as extracted from the audited financial statements of the Target Group as at 30 September 2018. Given that the Properties is located in Lishui, which is the location with good development potentials as concluded in sub-section "(b) Overview of the real estate development in Zhejiang" above, we consider that the market value of the Properties would remain stable.

(d) The business strategy of the Group

Reference is made to the previous transactions of the Company namely, the (i) major transaction in relation to the participation of the acquisition of land plots in Zhejiang Province as per the Company's announcement dated 8 November 2018, which was subsequently reclassified as a very substantial acquisition as per the Company's clarification announcement dated 13 November 2018; (ii) discloseable transaction in relation to the acquisition of entire issued share capital of Karhoe Company Limited as per the Company's announcement on 27 July 2018; and (iii) major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") as disclosed in the Company's announcement dated 21 November 2017.

As disclosed in the 2018 interim report of the Company dated 3 September 2018, we noted that after the acquisition of Differ Cultural and its subsidiaries which was completed in January 2018, the Group is looking for the other value assets in the PRC continuously. We have further discussed with the Management and understand that during the year 2018, the Group has been actively looking for ways to further diversify its geographical presence by expanding into other locations with sustainable demand. Having considered that (i) the Land is located in the city of Lishui, which is located in the same location as compared to the properties held by Differ Cultural, and (ii) the reasons and benefits of entering to the Agreement as described above, we concur with the Director's view that the Acquisition represents a strategic geographical expansion of the Group and is in line with the Group's business strategy.

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 overall growth of the PRC's economy and property market being supported by the growing trend as discussed in note (a) above; (iii) the growth potential in the development of commercial properties in Lishui have demonstrated the favourable prospect of the district as discussed in note (b) above; and (iv) the steady state of the market value of the Properties driven by the positive property market as described in "(b) Overview of the real estate development in Zhejiang"; we consider that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

IV. Risk factors of the Agreement and the Target Group's business

We have discussed with the Management and noted that the Management has implemented corresponding mitigation measures as described below and does not expect the Acquisition and/or development of the Land to result in a material change to the overall risk profile of the Company. However, such business activities of the Target Group may involve the followings:

(i) The performance of the Target Group depends upon the performance of the PRC property market, which in turn is subject to fluctuations in market conditions and economic performance

As at the Latest Practicable Date, the Target Group concentrate on the development of commercial developments in the PRC. Therefore, if the property market, particularly the property market in the PRC performed badly, it would have a direct negative impact on the performance of the Target Group.

The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential and commercial properties, etc. Any fall in property sales or property prices in the PRC, particularly in regions where the Target Group has property developments, could have a material negative impact upon the Target Group.

Although the Management cannot guarantee that there will be no further measures implemented by the PRC government to control the growth of the property market, or that there will be no major negative changes in the PRC's economy, the Management will take all reasonable steps, by setting up a risk management committee to (i) monitor and obtain information relating to the regulations or policies as implement or planned by the PRC government, (ii) identify and assess the potential risk of the policies, perform sensitivity analysis on the sales of Properties and (iii) assess the timing for the pre-sale of the Properties, etc, to monitor the market conditions and control the risk faced by the Target Group, and will potentially diversify the risk through formation of strategic alliance.

We consider that by establishing a risk management committee, the members of such committee could (i) advise the management of the Target Group's risk appetite, profile and tolerance; (ii) identify and deal with financial, operational, legal, regulatory, technology, reputational, information security risks, and strategic risks faced by the Target Group; (iii) review the Target Group's risk policies, risk reports and breaches of risk tolerances and policies; and (iv) ensure appropriate arrangements are in place to control and mitigate the risks effectively, hence, we are of the view that the market and operational risk faced by the Target Group could be controlled and minimized under an effective manner.

(ii) Unable to successfully complete the construction on time

The construction of the property development project (i.e. Phoenix Ancient Town*) require substantial capital expenditures prior to and during the construction period, and construction of a property project may take longer than half year before the development generates cash flow through pre-sale or sale. The progress and costs of the development project may be affected by factors including (a) delay in obtaining necessary certificates, licenses, permits or approval from government authorities; (b) changes in market conditions; (c) delays in or increased cost of materials, equipment and skilled labor; (d) labor disputes; and (e) adverse weather conditions. In view of the above, the Target Group's inability to complete projects as planned may have a material adverse effect on the Target Group's business, financial conditions, results of operations and prospects.

We have discussed with the management of the Target Group and considered that the time risk can be addressed by professional project management and effective cost control including clear documentation, co-ordination and communication between project parties, selection of experienced and qualified external parties, and timely commencement of marketing.

(iii) Risk of delay and impact on income

During the construction phase the Land will not generate any income for the Group. This period may be prolonged if completion of the construction phase is delayed. There is also a risk that given the lengthy construction phase (with completion expected on or before second quarter of 2019), the commercial property market may deteriorate, in which case the Group's financial return may be less than expected.

To mitigate such risks, the Management will take all reasonable steps, by visiting the site, setting up milestone dates for each certain progress that must be reached, and monitor actual progress against the schedule, to monitor the progress of the construction and avoid any delay. The Management will perform a systematic and comprehensive feasibility analysis, a timely start to the marketing of the project and potentially sharing the risks through formation of strategic alliances.

Our view

We have reviewed the internal control policies and procedures as implemented by the management of the Target Group including (i) the correspondence documents of the management of the Target Group regarding the discussion on the progress of construction of the Properties; (ii) the progress report in respect of the construction; (iii) the selection criteria contracts as mentioned in sub-section headed "*(d) Outsourcing of construction work*"; (iv) the business plan and cash flow budget in relation to the timing of construction and sales of Properties; and (v) the correspondence conducted between the management of the Target Group and the project parties, we considered that the internal control procedures are in place to mitigate the risk factors as stated above.

V. Principal terms of the Agreement

On 7 November 2018 (after trading hours), the Purchaser, an indirect 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 informed by the Vendor, the PRC Subsidiary B has legally and validly obtained and holds the land use rights for the Land, which is for commercial use and on which a property development project named Phoenix Ancient Town* (鳳凰古镇) is currently under construction. Upon Completion, Phoenix Ancient Town will comprise a total planned gross floor area of approximately 311,585.3 sq. m..

(ii) Consideration

Pursuant to the terms of the Agreement, the Consideration is RMB499,972,000 (equivalent to approximately HK$568,150,000), which shall be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price to the Vendor or its nominee within ten (10) Business Days after the Completion Date. As the parties to the Agreement have agreed the exchange rate of HK$1: RMB0.88, the total Consideration of RMB499,972,000 shall be equivalent to HK$568,150,000. Accordingly, 1,033,000,000 new Shares will be allotted and issued by the Company to the Vendor or its nominee at the Issue Price for settling the Consideration, subject to the Completion.

(a) Basis of the Consideration

As stated in the Letter, 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 2018; 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 RMB531,714,700 represents an aggregated value of

- the audited consolidated net asset value of the Target Group attributable to the Vendor as at 30 September 2018 in the amount of approximately RMB119,414,000, as disclosed in the "Combined Statements of Financial Position" in Appendix II; plus

- the amount of (i) the valuation of the market value of the properties interest held by the Target Group as at 30 September 2018 prepared by the Valuer in the sum of RMB1,899,000,000 as disclosed in Appendix V; less (ii) the relevant book value in the sum of RMB1,386,698,000 as disclosed in the "Combined Statements of Financial Position" in Appendix II, in the amount of approximately RMB512,302,000; and minus;

- the amount due to Dragon Holdings of approximately RMB100,001,300 by the PRC Subsidiary A. Please refer to the paragraph headed "Consideration for the equity interest of the PRC Subsidiary B" under the section "Potential connected financial assistance upon Completion" of this letter from the Board in this circular for details.

As advised by the Vendor, the original acquisition cost incurred by the Vendor for the acquisition of PRC Subsidiary B from Dragon Holdings was approximately RMB100 million. For the basis in agreeing the original acquisition cost is fair and reasonable, please refer to the paragraph below.

As further advised by the Vendor, the majority of the assets of the Target Group are held by the PRC Subsidiary B, which was originally owned by Dragon Holdings, which is an associate of Mr. Hong. The transfer of the entire interest in the PRC Subsidiary B was merely for the purpose of a corporate reorganisation. As it is a transfer between the Vendor and an associate of her spouse, Mr. Hong, the original acquisition cost was determined with reference to the registered capital of the PRC Subsidiary B but not taking into consideration of the property interest held by the PRC Subsidiary B.

As further advised by the Vendor, the original acquisition costs of the Target Group previously acquired by Dragon Holdings are as follows:

From Independent Third Party to Dragon Holdings

(a) On 20 April 2015, Dragon Holdings acquired 51% shares of PRC Subsidiary B from an Independent Third Party (the "**Party A**") for the consideration of RMB51,001,300 ("**DH Acquisition 1**").

(b) On 26 September 2018, Dragon Holdings and an individual (who held on trust for Dragon Holding) acquired the remaining 48% and 1% shares respectively of PRC Subsidiary B from an Independent Third Party ("**the Party B**") at the total consideration of RMB49,000,000 ("**DH Acquisition 2**").

From Dragon Holdings to PRC Subsidiary A

(c) On 18 October 2018, PRC Subsidiary A acquired 100% shares of PRC Subsidiary B from Dragon Holdings and an individual (who held on trust for Dragon Holding) at total consideration of RMB100,001,300 ("**DH Acquisition 3**").

During the material time, Dragon Holdings was wholly owned by Mr. Hong. On 13 November 2018, Mr. Hong transferred the entire issued share capital of Dragon Holdings to his sister, Ms. Hong Mei Guan (洪美觀).

The relationship between Party A and Party B is father and son. After Party A sold 51% interests of PRC Subsidiary B in DH Acquisition 1 to Dragon Holdings in 2015, Party B remained as shareholder of PRC Subsidiary B due to his local knowledge and local relations, however was a passive investor and operator as he had minimal involvement in major decision-making.

In or around 2012, Mr. Hong befriended with an independent third party ("**Party C**"), who is the son-in-law of Party A (one of the shareholders of PRC Subsidiary B, who later sold the 51% interests of PRC Subsidiary B to Dragon Holdings in 2015 as per DH Acquisition 1). Party C became the business acquaintance of Mr. Hong and they have conducted certain business cooperation together.

In 2013, Party C introduced Party A and Party B (who then later sold the 49% interests of PRC Subsidiary B in September 2018 to Dragon Holdings as per DH Acquisition 2) to Mr. Hong. Mr. Hong, has also conducted certain business cooperation with Party A and Party B, who are father and son.

In relation to the consideration of DH Acquisition 2, the costs of the development project are mainly financed by Dragon Holdings and Mr. Hong. Mr. Hong understands from Party B that due to the following personal and financial reasons, the Party B decided to exit from the Zhejiang market in September 2018, and contemplated on changing his area of investment:

Personal Reasons

Party B's previous business developments primarily focused on Lishui but due to a lack of a core team, these said business projects were unable to progress further. Following the regulation of the PRC market and increased competition, previous management methods were now inadequate in meeting the demands of Phoenix Ancient Town (鳳凰古鎮), which is a large-scale and complex development project. In addition, Party B and his family have purchased property and obtained the household registration* (户籍) in Xiamen. Therefore, Party B decided to gradually withdraw from the project and has now moved to Xiamen.

Financial Reasons

In September 2018, the Group has taken up 30% interest in Lishui Fu Feng and Jingning Differ. After completion, Lishui Fu Feng and Xiamen Differ are indirect wholly-owned subsidiaries of the Company.

Before Lishui Fu Feng become an indirect wholly-owned subsidiary of the Company, Lishui Fu Feng was owned by Xiamen Differ and Party A as to 70% and 30% respectively. Whereas, before Jingning Differ become an indirect wholly-owned subsidiary of the Company, Jingning Differ was owned by Xiamen Differ and Party B as to 70% and 30% respectively.

In July 2018, the Company learnt that Party A and Party B have charged their respective shareholding in Lishui Fu Feng and Jingning Differ to Ms. Hong Qiaosi* (洪巧絲) (the "**Creditor**"), a citizen and businesswoman in the PRC, an Independent Third Party. Party A and Party B owed the sum of RMB190 million (the "**Transferred Loan**") to the Creditor.

Party A and Party B was experiencing financial difficulty and had not repaid the Transferred Loan to the Creditor on time. The Company further understood that the Creditor intended to exercise its rights to enforce the said securities. In order to avoid operating the businesses of Lishui Fu Feng and Jingning Differ with any unfamiliar third party when the said securities would become enforceable by the Creditor, the Company immediately struck a deal with the Creditor and entered into the sale and purchase agreement dated 18 September 2018 with the Creditor, Party A and Party B. Pursuant to the respective sale and purchase agreement, Party A and Party B agreed to give up their respective interest in Lishui Fu Feng and Jingning Differ and the Company acquired the Transferred Loan at the consideration in the sum of RMB190 million.

For details of the respective sale and purchase agreement please refer to the Company's announcement dated 18 September 2018.

As the original acquisition cost for both the transfer (1) from Independent Third Party to Dragon Holdings and (2) from Dragon Holdings to PRC Subsidiary A are approximately at RMB100 million, the Board noted that the Consideration represents approximately five times of the original acquisition cost. However, the Board consider that the basis of Consideration is fair and reasonable because the Board understand that:

i. the market value of the property of the Target Group has increased during the period from second half of 2015 to year 2018, the consideration of the DH Acquisition 1 might not be a meaningful reference point;

ii. For DH Acquisition 2, as most of the operating expenses and construction costs of PRC Subsidiary B are paid by Dragon Holdings in the past (equivalent to the sum of the Dragon's Loan i.e. RMB334,872,383), the financial contribution from the Independent Third Party is limited, as such, Dragon Holdings and an individual (who held on trust for Dragon Holdings) only need to pay RMB49,000,000 (based on the amount of 49% of registered capital of PRC Subsidiary B) to the Independent Third Party for the acquisition of 49% of

PRC Subsidiary B. Under the relevant legislation the minimum number of shareholders of the PRC Subsidiary B should be two as Dragon Holdings only has one shareholder at that time. Accordingly. an individual held 1% interest on trust for Dragon Holdings; and

iii. For DH Acquisition 3, the original acquisition cost is paid by Vendor to her connected parties mainly for reorganization purpose. Accordingly, it did not represent the fair value of the properties between any usual market seller and purchaser.

Furthermore, although comparatively, 49% of the Consideration for the Acquisition is greater than the consideration, paid by the Vendor, for 49% of the shares of PRC Subsidiary B in DH Acquisition 2 at RMB49 million, given the circumstances stated above, the Company believes that it is still in the best interest of the shareholders and the Company as a whole as the Company did not have sufficient available cash at the time of DH Acquisition 2 and the Consideration Shares offered as Consideration for the current Acquisition will be allotted and issued at the Issue Price which represents a premium over the closing price and the average closing price of the Share on the date of the Agreement.

Our view

In light of the 49% shares of the PRC Subsidiary B as acquired by Dragon Holdings and the Independent Third Party (on trust for Dragon Holdings) at the consideration of RMB49,000,000, we have enquired the Vendor based on the above and we have considered based on the reasons below for the Party B to sell its shares in PRC Subsidiary B at such a low cost:

i) apart from the paid-up capital, the Party B has not contributed any amount for the operation of the PRC Subsidiary B;

ii) the Party B is only a passive investor and operator. The involvement of major operating and financial decision is minimal;

iii) under the current PRC law, Dragon Holdings has a pre-emptive right on the Party B's sale of its interest in the PRC Subsidiary B, therefore the Party B will have difficulty to sell its interest to other person unless agreed by Dragon Holdings;

iv) the PRC Subsidiary B was mainly financed by the fund contributed by Dragon Holdings and bank loans. As disclosed in the Letter, there was an outstanding loan granted by Dragon Holdings ("**the Dragon's Loan**"); as most of the operating expenses and construction costs of PRC Subsidiary B were paid by the Dragon's Loan, therefore the financial contribution from the Party B was limited;

v) Dragon Holdings for its interest will try to bargain for a good price as its fund will continue to be locked in the PRC Subsidiary B;

vi) the other source of finance for the PRC Subsidiary B, namely, the bank loan, was negotiated by Mr. Hong, the shareholder of Dragon Holdings at that material time, rather than by Party B, who took on a comparatively passive role.

Accordingly, we are of the view that after negotiation the Party B eventually willing to give up the gain on land appreciation and sold its 49% interests of PRC Subsidiary B to Dragon Holdings at its original cost of capital, which might be much lower than the possible market value of the Land.

In addition, we are advised by the Company that the Party B did not contemplate to sell the 49% of the PRC Subsidiary B directly to the Company for the following reasons:

i) the Party B requested for payment of cash as consideration only. The Company at that material time considered that may not be beneficial to the Company and its Shareholders, as a whole, to have such amount of cash outflow of which would have a significant impact on the cashflow of the Company. Comparatively, for the current Acquisition, Consideration Shares are offered as Consideration for the Sale Shares, which provides greater flexibility to the financial status of the Company. Although the Company had cash, this was primarily ear marked for payment at that time to be made by Cultural Tours to the Creditor, an Independent Third Party for the Transferred Loan in the sum of RMB190 million, as disclosed in the Company's announcement dated 18 September 2018.

   The Company has also explored means to increase its available fund for the possibility of acquiring the 49% of the PRC Subsidiary B by cash. As a result, the Company attempted to raise funds through the placing of bonds, as disclosed in the Company's announcement dated 14 September 2018 through placing agent. However, unfortunately the placing of the bonds have not been materialised and could not proceed and therefore the Company did not have spare cash for the acquisition of 49% interest of PRC Subsidiary B from Party B as the Company should keep sufficient cash for daily operation and other business. The Company has also considered to obtain bank loan for the acquisition, however, the Company believes that may not be beneficial to the Company and its Shareholders a whole, as the gearing ratio of the Company might increase. The payment of interest might affect the Company's earning capacity;

ii) the Company preferred to acquire the PRC Subsidiary B through an oversea incorporated vehicle because the Company prefers a simple structure which is also the usual norm for listed companies. However, the Party B would not consider such arrangement as the Party B did not bother to take the time for completion of such procedure; and

iii) Party B requested for a speedy completion but at that material time, the Company was unable to satisfy this request, therefore Party B did not contemplate to sell 49% of the PRC Subsidiary B directly to the Company. Further, assuming the Company has sufficient fund to acquire the 49% interest of PRC Subsidiary B directly from Party B in cash at that time. Such transaction would constitute as a major and connected transaction at subsidiary level for the Company. The Company will have to take time to comply with the Listing Rules which was unlikely to meet Party B's request for a speedy completion.

Furthermore, although the Consideration for the Acquisition is greater than the consideration, paid by the Vendor, for PRC Subsidiary B in DH Acquisition 2 at RMB49 million, given the circumstances stated above the Company believes that it is still in the best interest of the shareholders and the Company as a whole as the Company did not have sufficient available cash at the time of DH Acquisition 2 and the Consideration Shares offered as Consideration for the current Acquisition will be allotted and issued at the Issue Price which represents a premium over the average closing price of the Share.

After considered the above mentioned factors, we considered that (i) based on the requested terms from the Party B at that material time, the Company was unable to meet the Party B's request to grasp the opportunity to acquire 49% interests of PRC Subsidiary B at its original cost of capital, which is much lower than the market value of PRC Subsidiary B; and (ii) the Company is now able to offer Consideration Shares as Consideration for the Sale Shares instead of payment of cash to the Vendor for acquisition of the Target Group which consist of the PRC Subsidiary B; we concur with the Director's view that the Acquisition is in the interests of the Company and its shareholders as a whole as the Company can benefit from increased cashflow which would provide greater flexibility to its financial status.

In all, having considered the factors mentioned above, we considered that (i) the original cost of RMB100,001,300 was determined based on the registered share capital of the PRC Subsidiary B merely for reorganisation purpose; (ii) such original cost did not take into account the operating expenses and construction costs of PRC Subsidiary B which was borne by Dragon Holdings in the past, and (iii) the market value of the Target Group has been increased during the period from second half of 2015 to 2018, we considered that despite the valuation of the Target Group is substantially higher as compared to the land acquisition cost, the basis of the original acquisition cost of RMB100,001,300 and the Consideration which is determined based on the Adjusted NAV of the Target Group is fair and reasonable.

(b) 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, details of the calculation, please refer to page 74 of the sub-section headed "(a) Basis of the Consideration".

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 2018 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 September 2018, please refer to the sub-section headed "Financial information of the Target Group" on page 57 in this letter.

In evaluating the basis of Consideration, we have considered the above factors and other methodologies. However, we considered that:

- the amount of the Properties of (i.e. approximately RMB1,386,698,000) as stated in the financial position of the Target Group as at 30 September 2018 are the principal assets of the Target Group which accounted for approximately 99.7% of the total asset (i.e. approximately RMB1,391,416,000) of the Target Group as at 30 September 2018;

- the Adjusted NAV has taken into account the revaluation surplus arising on the Properties of approximately RMB512,302,000 which is calculated by the valuation of the market value of the Properties of RMB1,899,000,000 as at 30 September 2018 (the "**Valuation**") prepared by the Valuer minus the carrying amount of the Properties of approximately RMB1,386,698,000 as extracted the audited financial statements of the Target Group as at 30 September 2018.

We have considered the future cash flow approach, however, we considered that this is not appropriate because (i) the Target Group's project is at its construction stage; (ii) the Target Group is with short operating history; and (iii) the basis and assumptions under the future cash flow approach involved uncertainties, after considered the above factors, 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 and liabilities are set out below.

1. The Properties

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 RMB1,386,698,000, representing 99.7% of the total audited net asset value of the Target Group, being the core assets of the Target Group.

Review on the Valuation Report (as defined below)

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 Jones Lang LaSalle Corporate Appraisal and Advisory 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 2018 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 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 note that the Valuer has identified and analyzed various relevant sales evidences in the locality, which have similar characteristics as the subject property, such as nature, use, site area, layout and accessibility of the property. The selected comparables are retail units, and some newly completed or to-be-completed buildings located close to the subject property, which have transacted in 2018. The unit price of the comparables ranges from RMB10,000 to RMB15,000 per sq.m. basis for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparables and the property to arrive at an assumed unit rate for the property. After reviewing the comparables by checking to the information of such comparables including but not limited to location, land use term, plot ratio and site area, we concur with the Valuer's view 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:

- PRC Subsidiary B is legally and validly in possession of the land use rights of the Properties. PRC Subsidiary B has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property. Pursuant to a Mortgage Contract, portions of the land use rights and the building ownership rights of Phoenix Ancient Town are subject to a mortgage in favour of a third party. Upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the Properties;

- PRC Subsidiary B has obtained all requisite construction work approvals in respect of the actual development progress; and

- PRC Subsidiary B has the rights to legally pre-sell the portions of the Properties.

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) the 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 which is the same underlying assumptions of the Valuation as stated in the Appendix V Valuation Report include:

i) the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest;

ii) the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value;

iii) the areas shown on the title documents relating to the property and official site plans handed to the Valuer are correct; and

iv) the aspects relating to the suitability of the ground conditions and services for any development thereon are satisfactory.

For details of the above assumptions relating to the Valuation, please refer to Appendix V – Valuation Report of this Circular.

2. The amount due to Dragon Holdings

Consideration for the equity interest of the PRC Subsidiary B

Apart from the Properties, we note that as part of the Consideration, there is an amount due to Dragon Holdings of approximately RMB100,001,300 by the PRC Subsidiary A and details of such amount is stated in the section headed *"Potential connected financial assistance upon Completion"* in the Letter.

As stated in the Letter, payment of such consideration is interest free, unsecured and the PRC Subsidiary A has the right to early repay for all or part of the consideration without incurring any expenses.

Since (i) it is intended that the Former Consideration will continue to be on the same term after the Completion, namely interest free, payable on or before 18 October 2019 and the PRC Subsidiary's right to early repay for all or part of the consideration without incurring any expenses; (ii) the arrangement relating to the outstanding Former Consideration is conducted on normal commercial terms or better; and (iii) as informed by Dragon Holdings, it does not intend to obtain any security from the Group to secure the payment of the Former Consideration, we are of the view that the value of such liabilities, which are agreed at dollar-to-dollar basis, is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Outstanding loan granted by Dragon Holdings

Besides, we noted that there is an amount owed by the PRC Subsidiary D to Dragon Holdings of approximately RMB334,872,000 (equivalent to approximately HK$380.5 million) as at 30 September 2018 ("**Dragon's Loan**"), which is the former shareholder of the PRC Subsidiary B.

As informed by the Vendor, the Dragon's Loan is interest free, unsecured and for a term up to 30 September 2019. The PRC Subsidiary B has the right to make early repayment for all or part of the Dragon's Loan without incurring any expenses. Therefore, upon the Completion, the grant of Dragon's Loan by Dragon Holdings to the PRC Subsidiary B, which will become an indirect wholly-owned subsidiary of the Company upon the Completion, will constitute a financial assistance by connected person to the Company.

Since (i) it is intended that Dragon's Loan will continue to be on the same term after the Completion, namely interest free, unsecured, for a term up to 30 September 2019 and the PRC Subsidiary's right to make early repayment for all or part of the Dragon's Loan without incurring any expenses; and (ii) the grant of Dragon's Loan is conducted on normal commercial terms or better, we consider that the value of such liabilities, which are recorded in the consolidated financial statements under dollar-to-dollar basis, is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

3. Other assets and liabilities

We note from the Directors that apart from the abovementioned, other assets and liabilities (including but not limited to property, plant and equipment, deposits, prepayments and other receivables, tax prepaid, cash and bank balances and other liabilities) 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.

(iii) Evaluation of the Consideration Shares

The Consideration Shares to be allotted and issued represent (i) approximately 19.38% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.23% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after the 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, save as the issue of the Consideration Shares).

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

- a premium of approximately 11.11% to the closing price of approximately HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 1.85% to the closing price of HK$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 3.77% to the closing price of HK$0.53 per Share as quoted on the Stock Exchange on the date of the Agreement;
- a premium of approximately 5.77% to the average closing price of HK$0.52 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement; and
- a premium of approximately 71.88% to the audited consolidated net asset value per Share attributable to equity holders of the Company of approximately HK$0.32 per Share as at 29 December 2017.

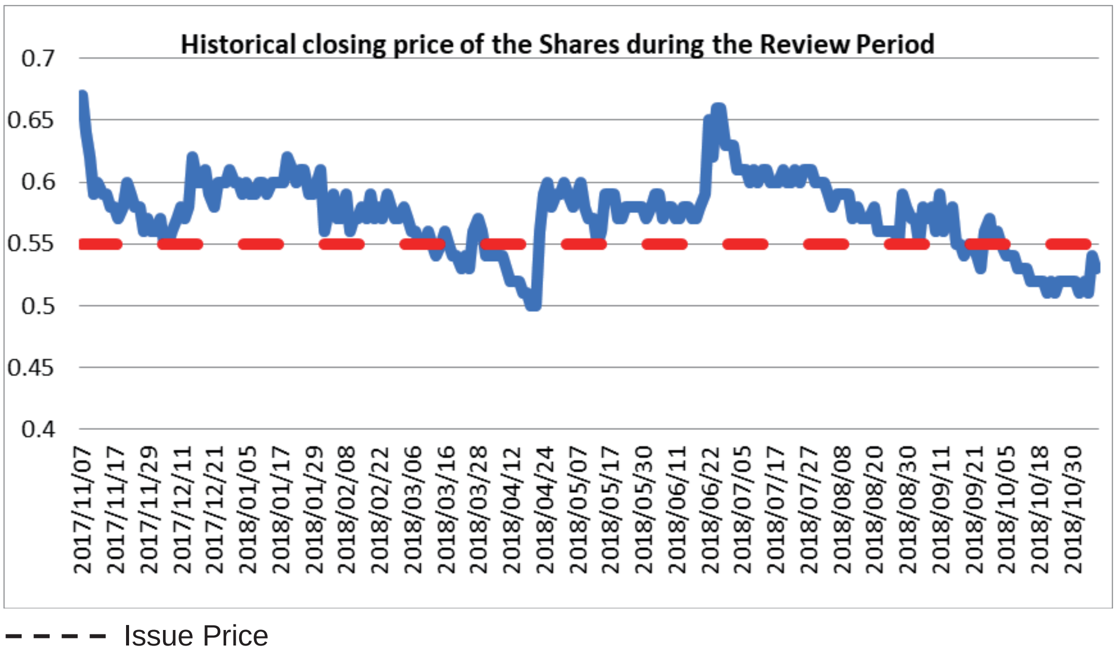
The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor, with reference to the prevailing market price of the Shares. The Directors (excluding the independent non-executive Directors who will give their opinion after considering the advice from Euto) consider 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) *Evaluation on the basis of the Issue Price*

In assessing the fairness and reasonableness of the basis of the Issue Price, we have primarily taken into account (i) the historical Share price performance; and (ii) the market comparables in respect of recent issuance of consideration shares.

Review on the Share price performance

The following chart illustrates the movement of the closing prices of the Shares during the period commencing from 7 November 2017, being the 12 months prior to the date of the Agreement, up to and including the Latest Practicable Date (the "**Review Period**").



As illustrated by the chart above, during the Review Period, the closing Share price fluctuated from the lowest of HK$0.50 per Share to the highest of HK$0.67 per Share, with an average closing Share price of approximately HK$0.57 per Share. The Issue Price of HK$0.55 represents (i) a discount of approximately 17.9% to the highest closing Share price; (ii) a premium of approximately 10.0% to the lowest closing Share price; and (iii) a discount of approximately 3.5% to the average closing Share price.

As shown in the chart above, the Share price closed between HK$0.55 per Shares and HK$0.62 during the period from 10 November 2017 to 27 December 2017. During the period, the Company has released the announcement in relating to the major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited and continuing connected transaction in relation to the provisions of financial assistance (the "**Differ Acquisition**") on 21 November 2017, and after the release of such announcement, the Share price went up slightly to HK$0.62 per Share on 14 December 2017. The Company later issued the circular relating to the Differ Acquisition on 27 December 2017. The Share price remain stable subsequently and lies between the range from HK$0.54 to HK$0.62 during the period from 28 December 2017 to 21 March 2018, the day of the positive profit alert announcement for the year ended 31 December 2017 was published. The Company later issued the 2017 annual results announcement on 28 March 2018. The Share price decreased gradually subsequently and reached HK$0.50 on 20 April 2018, the day the 2017 annual report of the Company was released.

The Share price was on an ascending trend increasing from HK$0.50 on 20 April 2018 to HK$0.58 on 20 June 2018. The Company entered into a placing and subscription agreement in relation to a placing to the placee(s) procured by the placing agent for, or failing which the placing agent will itself purchase the Shares beneficially owned by the vendor and the subscription of new Shares by the Vendor and release the relevant announcement on 21 June 2018. Subsequent to the release of the aforesaid announcement, the Share price increased to a maximum of HK$0.66 on 27 June 2018.

On 27 July 2018, the Company released an announcement in relation to the entering into of a sale and purchase agreement relating to the acquisition of the entire issued share capital of Karhoe Company Limited. The Share price decreased gradually from HK$0.6 on 28 July 2018, the day after release of such announcement, to HK$0.50 on 28 August 2018.

On 14 September 2018, the Company entered in a placing agreement for the placing of bonds and released the announcement on the same date. The Share price dropped to HK$0.55 on 17 September 2018, the next Business Day after the release of the announcement. After a few days on 18 September 2018, the Company released another announcement relating to the acquisition of 30% equity interest in Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司) and 30% equity interest in Lishui Fu Feng Cultural Tours Limited* (麗水市富豐文化旅遊有限公司). The Share price further decreased gradually for a period of time and reached a minimum of HK$0.51 on 22 October 2018.

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. On this basis, we consider the issue of the Consideration Shares by the Company is fair and reasonable to the Independent Shareholders.

In order to assess the fairness and reasonableness of the Issue Price as compared to the recent closing price of the Shares (being the closing price prior to the date of agreement and the last 5 days prior to the date of the Agreement), we have further, based on the information available from the Stock Exchange's website, identified the Comparables (as defined below) for further analysis. Please refer to the sub-section headed "*Comparison with the recent transactions*" for details of the analysis. For our view on the dilution effect to minority shareholders upon issue of Consideration Shares under the Acquisition, please refer to the section headed "*VI. Effect on the shareholding structure of the Company*".

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 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 average daily trading volume to total number of the Shares to the total issued Shares** (C)/(D) Approx. (%) *(Note)*
2017					
November	209,792,600	22	9,536,027	4,236,009,880	0.23
December	137,916,120	19	7,258,743	4,236,009,880	0.17
2018					
January	140,542,000	22	6,388,273	4,320,009,880	0.15
February	131,230,000	18	7,290,556	4,320,009,880	0.17
March	120,870,000	21	5,755,714	4,320,009,880	0.13
April	87,478,000	19	4,604,105	4,320,009,880	0.11
May	413,934,000	21	19,711,143	4,320,009,880	0.46
June	984,428,000	20	49,221,400	4,930,387,880	1.00
July	314,476,000	21	14,975,048	4,930,387,880	0.30
August	153,434,000	23	6,671,043	4,980,387,880	0.13
September	141,106,666	19	7,426,667	5,330,387,880	0.14
October	147,908,000	21	7,043,238	5,330,387,880	0.13
November	305,814,859	22	13,900,675	5,330,387,880	0.26
December (up to and including Latest Practicable Date)	35,626,000	18	1,979,222	(5,330,387,880)	0.04

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

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

Based on the above table, the monthly trading volume of the Shares during the Review Period has not been consistent, ranged from the lowest of 87,478,000 to the highest of 984,428,000, representing approximately 0.13% and 1.00% of the total issued Shares respectively. It is noted that the number of Shares traded daily decreased significantly after the publication of the 2017 annual results announcement of the Company on 28 March 2018 and increased significantly after publication of the announcement relating to the entering into of a placing and subscription agreement by the Company on 21 June 2018. Besides, we also noted that subsequent to the release of the announcement in relation to the entering into of a sale and purchase agreement relating to the acquisition of the entire issued share capital of Karhoe Company Limited on 27 July 2018, the daily trading volume of the Shares decreased gradually from an average daily trading volume of approximately 14,273,714 during July 2018 to an average daily trading volume of approximately 6,671,043 during August 2018. Save for the aforementioned released announcements, we are not aware of any reasons for such fluctuations during the Review Period and believed that it was the result of the market response to the relevant published announcements of the Company. Hence, we consider the trading of Shares did not appear to be active during the Review Period. Given the low liquidity of the Shares during the Review Period, we consider that it may be difficult for the Group to obtain favorable terms on other ways of equity financing such as rights issue or open offer for the Acquisition.

We have further discussed with the Board regarding whether the Company has considered alternative methods of financing and we are given to understand that the Directors exercised due and careful consideration in the selection of financing method in order to maximise the benefit to the Shareholders.

We note that the Board has considered other alternative settlement method such as the issuance of other types of debt securities. However, taking into account the finance costs as well as the impact on the gearing ratio of the Company, the Board considers that the issuance of other debt securities shall involve financial institutions which (i) may require the Group to make guarantees and/or pledge assets of the Group; and (ii) will likely charge a higher comprehensive financing cost (approximately 6% to 7%) if such pledge-free loan facilities are to be provided by such financial institutions. The capital structure of the Company may also need to be altered substantially to meet the granting criteria, including but not limited to, limitations on debt level and leverage, minimum requirements on equity level and interest coverage etc.. Moreover, given the Company's current debt level and no market response is noted on the placing of bonds by the Company as stated in the announcement of the Company dated 14 September 2018, it is considered that any further financing aid from external parties would: (i) demand an interest rate that shall rise steeply as the Company's financial need grows; (ii) impose further financial burden of interest expenditure on the Company's cash flows; (iii) continue to raise the Company's gearing ratio, which might hinder the Company's other financing and/or operating plans; and (iv) impose covenants by which the Company's debt financing ability would be limited. As such, we are of the view that borrowings from financial institutions are of limited accessibility and the elimination of such settlement method is justifiable.

Notwithstanding the above, the Board has also considered other possible fund-raising methods, such as placing or subscription of new Shares to raise funds from Independent Third Party(ies) for settlement. Given the funding needs for the settlement of the Consideration is RMB499,972,000 (equivalent to approximately HK$568,150,000), raising the relevant funds through placing or subscription of new Shares will involve the need to seek shareholders' approval for a specific mandate, given the number of Shares to be allotted and issued will exceed the limit under the remaining general mandate granted to the Directors on 20 April 2018 (assuming the placing or subscription price, as the case may be, is equal to the Issue Price of the Consideration Shares under the Acquisition).

As the Consideration is substantial, the Board, have the following reservations on using the fund-raising methods of placing and subscription of new Shares:

(i) due to the substantial amount of Shares required to be allotted and issued in order to settle the Consideration, the potential investor(s) will require a substantial placing discount to the trading price of the Shares, and the Directors anticipate such discount to be more than 20%; and

(ii) the Directors found it difficult to secure placing agents and subscribers in light of the sizable amount of securities involved in the placing or subscription (as the case may be).

As regard to the alternative fund raising methods of placing or subscription, we have considered (i) the comparatively thin trading volume of the Shares and its low liquidity as described in the sub-section headed "*Review on the trading volume of the Shares*"; (ii) the costly placing commission which is generally 1%-3% to the placing amount; (iii) comparatively longer time required for placement or subscription; (iv) difficulty in securing placing agent in light of the sizeable amount of securities; (v) the Company's substantial funding need for settlement of the Consideration; and (vi) that the price of the Share has not been trending strongly as described in the sub-section headed "*Review on Share price performance*", we consider that a discount to attract potential investors would be required by the placing agent and the outcome would remain substantially uncertain. In that case, it is highly probable that the Company might not be able to achieve its financing goal. As such, we concur with the Board's view that a placement and subscription is of high uncertainty and such funding method may not be in the interests of the Company and its Shareholders as a whole.

In view of the above, when comparing the various fund-raising methods described above with the issue of the Consideration Shares, the Directors are of the view that the placement and subscription of new Shares may not be the best option in the context of the Acquisition and therefore not in the interest of the Shareholders of the Company as a whole

Given that equity financing under the issuance of Consideration Shares (i) does not incur interest obligations on the Group as compared with bank financing; (ii) allows the Group to raise funds to settle the Consideration in a relatively short period of time, we consider that the issuance of Consideration Shares for settlement of the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Comparison with recent transactions

(a) Methodologies of analysis relating to the determination of the Issue Price

In assessing the fairness and reasonableness of the terms of the issue of Consideration Shares, we have considered the following factors of the Company:

(i) prior to the completion of the acquisition of Differ Cultural Group in January 2018, the Group is principally engaged in the provision of financial related and asset management business;

(ii) following the completion of the acquisition of the Differ Cultural Group, the Group commenced the property development business to be an extension of the Company's original asset management business;

(iii) the principal activity of the Target Group is property development and operation and the basis of determination of the Consideration is supported by the Valuation as analyzed under the sub-section headed "*(b) Evaluation of the basis of the Consideration*" of this letter above; and

(iv) the Consideration of the Acquisition is to be satisfied by the allotment and issuance of Consideration Shares.

After considered the above factors, we are of the view that the determination of the Consideration is fair and reasonable as concluded under the sub-section headed "*(b) Evaluation of the basis of the Consideration*" of this letter and further considered to adopt the following methodologies in order to assess the fairness and reasonableness on the basis of determination of the terms (i.e. Issue Price) of Consideration Shares:

(i) comparison against comparable companies by adopting price-to-earnings ratio ("**PE Ratio**") and price-to-book ratio ("**PB Ratio**");

(ii) comparison against comparable transactions by comparing the followings with the Property Related Comparables (as defined below):

- the premium/(discount) of the issue price over/(to) the closing price of the last trading day prior to the date of the relevant agreement;
- the premium/(discount) of the issue price over/(to) the closing price of the last 5 trading days prior to the date of the relevant agreement; and
- the premium/(discount) of the issue price over/(to) the net asset value per share.

(b) Criteria for identifying and selecting the Property Related Comparables

In order to carry out the above analysis, we have based on the information available from the Stock Exchange's website, identified an exhaustive list of 6 transactions announced by 5 companies listed on the Stock Exchange since November 2017 and including the date of the Agreement, being the last 12 months commencing from the date of announcement of the Issue Price (the "**Property Related Comparables**"). For the purpose of our selection of the comparables, the basis of our selection of the Property Related Comparables is as follows: (i) the transaction involved acquisition of property related assets/businesses; (ii) the acquisition is fully or partly settled by the issue of consideration shares as consideration; and (iii) the market capitalisation of over HK$500 million. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the Consideration, we have also taken into account the principal business of the Target Group, i.e. property investment and therefore a 50% threshold on revenue proportion of the relevant businesses generated by the Property Related Comparable has been selected for analysis. Since there is no change of control in the Company upon completion of the Acquisition, hence, no criteria on the transactions involved an application for whitewash waiver are selected.

Based on above criteria, we considered that the Property Related Comparables provide a relevant benchmark for the purpose of assessing the Consideration. We consider the Property Related Comparables an exhaustive list of relevant comparable companies based on the said criteria above and the selection of comparable companies within an approximate 12-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 which the terms of the Consideration Shares were determined.

(c) Analysis conducted to assess the fairness and reasonableness of the Issue Price

I. Comparison of the Issue Price against comparable companies

As discussed above, we have considered to adopt two commonly adopted methodologies, namely PE Ratio and P/B Ratio based on the latest audited financial information, in assessing the fairness and reasonableness of the Issue Price of the Consideration Shares.

In order to assess the Issue Price through the methodologies of PE Ratio and PB Ratio, we identified comparable companies based on the criteria of (i) having property related business in function in the latest full financial year based on the latest annual report as at the Last Trading Day; and (ii) deriving at least 50% of total revenue from property related business in the latest full financial year based on the latest annual report as at the Last Trading Day, and selected 6 comparable transactions from 5 market comparable companies listed on the Stock Exchange, which is an exhaustive list of comparable companies we were able to identify from the Stock Exchange's website satisfying the above selection criteria.

Set out below is the table setting out the (i) market capitalization; (ii) PE Ratio; and (iii) PB Ratio, of the Property Related Comparables as at the Last Trading Day based on the latest audited financial information.

No.	Stock code	Name of Company *(Note 4)*	Market Capitalization *(Note 1)* *HK$ million*	PE Ratio *(Note 2)*	PB Ratio *(Note 3)*
1	108	GR Properties Limited	2,489.66	50.54	2.25
2	2768	Jiayuan International Group Limited *(Note 5)*	36,623.66	25.10	4.76
3	910	China Sandi Holdings Limited	1,984.21	12.69	0.51
4	1172	Magnus Concordia Group Ltd	648.92	44.16	1.02
5	996	Carnival Group International Holdings Limited	3,423.57	8.67	0.35
			Maximum	50.54	4.76
			Minimum	8.67	0.35
			Mean	28.23	1.78
			Median	25.10	1.02
The Company					
– Based on the closing price as at the Last Trading Day			2,878.41	15.81	2.11
– Based on the Issue Price			2,931.71	16.10	2.14

Source: the website of the Stock Exchange

Notes:

1. The market capitalisations of the Property Related Comparables are calculated by multiplying the share price as at the Last Trading Day and the number of issued shares of the respective companies according to the latest monthly return as at the Last Trading Day.

2. The PE Ratio of the Property Related Comparables are calculated by dividing their market capitalisations by the net profit attributable to the equity holders of the respective companies according to their latest audited financial reports as at the Last Trading Day. The PE Ratio is not applicable to Property Related Comparables incurred loss for the previous financial year.

3. The PB Ratio of the Property Related Comparables are calculated by dividing their market capitalisations by the net assets value attributable to the equity holders of the respective companies according to their latest audited financial reports as at the Last Trading Day.

4. The Property Related Comparables include a total of 6 comparable transactions announced by 5 market comparable companies listed on the Stock Exchange during the period from November 2017 to the Last Trading Day.

5. Under the 6 Property Related Comparables, two transactions were conducted by Jiayuan International Group Limited (Stock code: 2768), hence, there is only 5 market comparable companies demonstrated in the table above.

Results of the above analysis

As shown in the above table, the PE Ratio of the Property Related Comparables range from approximately 8.67 times to 50.54 times, with a mean and median of approximately 28.23 and 25.10 times respectively. Further, the PB Ratios of the Property Related Comparables range from approximately 0.35 times to 4.76 times, with a mean and median of approximately 1.78 and 1.02 times respectively.

Based on the results, we note that

(i) the PE Ratio and PB Ratio of the Company based on the Issue Price falls within the range of the Property Related Comparables;

(ii) the PE Ratio and PB Ratio of the Company based on the closing price as at the Last Trading Day falls within the range of the Property Related Comparables;

(iii) the PE Ratio of the Company based on (1) the closing price as at the Last Trading Day and (2) the Issue price falls below the corresponding mean and median of the Property Related Comparables;

(iv) the PB Ratio of the Company based on (1) the closing price as at the Last Trading Day and (2) the Issue Price are above the mean of the Property Related Comparables; and

(v) the PB Ratio of the Company based on (1) the closing price as at the Last Trading Day and (2) the Issue Price are above the median of the Property Related Comparables.

Our view

According to the calculation of the PE Ratio, the PE Ratio is calculated by the company's market capitalization divided by its earnings, expressed as a number or as a multiple of earnings. The earnings used for calculation of the PE Ratio can be either the net profit amount most recently reported by the company or the future earnings of the company for a full-year fiscal period. Based on this, we have considered to calculate the PE Ratio of the Company based on (1) the audited net profit attributable to the equity holders for the year ended 31 December 2017 as calculated above ("**2017 PE**") and (2) the net attributable to the equity holders for the year ending 31 December 2018 ("**2018 PE**"). However, we concluded that the PE Ratio analysis is not appropriate because:

(i) as regard to the 2017 PE – as discussed in the sub-section headed "*(a) Methodologies of analysis relating to the determination of the Issue Price*", the acquisition of Differ Cultural Group was completed by the Company on 23 January 2018. Hence, the financial performance of the Group as at 31 December 2017, being the latest audited financial information of the Group, has not yet reflected the financial effects brought into by the property development business. Given the business nature of the Group is financial related and asset management business prior to the completion of Differ Cultural Group acquisition, no identical comparison in terms of business operations could be conducted between the Property Related Comparables and the Company based on the latest audited financial information, we therefore consider that the 2017 PE is not indicative on assessment of fairness and reasonableness of the Issue Price;

(ii) as regard to the 2018 PE – we considered that the Group's net profit for the year ending 31 December 2018, which was calculated based on the latest published interim results of the Company for 6 months ended 30 June 2018, involved basis and assumptions with estimation uncertainties which may create anomalous results and distort the analysis, therefore we are of the view that the 2018 PE is not an applicable reference in calculating the PE Ratio for further analysis; and

(iii) given the nature of the property development business is capital intensive and the stage of the properties development projects, including the timing for development, completion of construction and sales of properties, affects the companies' earnings in a variety of ways. Thus, the longer the payback period, the longer the time a company takes to recognize the earnings generated by the properties development projects which results in a different earnings multiple. Since each Property Related Comparables may invest in different property related projects under different development cycle, we consider that no direct comparison could be conducted between the Company and the Property Related Comparables.

In view of the above, we consider that the PE Ratio analysis is not appropriate in assessing the fairness and reasonableness of the determination of Issue Price.

As regard to the PB ratio, even though the financial position of the Group as at 31 December 2017, being the latest audited financial information of the Group, has not yet reflected the financial effects brought into by the property development business as described above and is considered to be not indicative on assessment of fairness and reasonableness of the Issue Price, we considered that calculating the PB Ratio based on the latest published financial statements is appropriate because

(i) the unaudited net asset value of the Group as at 30 June 2018 of the Company, being the last published financial information of the Group, has already reflected the assets and liabilities brought into by the Differ Cultural Group; and

(ii) the unaudited net asset value as at 30 June 2018 of the Company involved no basis and assumption or estimation in determining the financial information for further calculation,

therefore, we considered to revise the analysis of the PB ratio from based on latest audited financial information to based on the latest published financial information of the Property Related Comparables and the Company for assessing the fairness and reasonableness of the Issue Price of the Consideration Shares.

Set out below is the table setting out the PB Ratio, of the Property Related Comparables as at the Last Trading Day after revision based on the latest published financial information.

No.	Stock code	Name of Company		PB Ratio *(Note 1)*
1	108	GR Properties Limited		1.96
2	2768	Jiayuan International Group Limited		4.16
3	910	China Sandi Holdings Limited		0.51
4	1172	Magnus Concordia Group Ltd		1.04
5	996	Carnival Group International Holdings Limited		0.33
			Maximum	4.16
			Minimum	0.33
			Mean	1.60
			Median	1.04
		The Company		
		– Based on the closing price as at the Last Trading Day		1.70
		– Based on the Issue Price		1.74

Source: the website of the Stock Exchange

Notes:

1. The PB Ratio of the Property Related Comparables are calculated by dividing their market capitalisations by the net assets value attributable to the equity holders of the respective companies according to their latest published financial reports as at the Last Trading Day.

As shown in the above table, the PB Ratio of the Property Related Comparables ranged from approximately 0.33 to 4.16, with a mean and median of approximately 1.60 and 1.04 respectively.

As further noted in the above table, we note that the PB Ratio of the Company based on (i) the closing price as at the Last Trading Day; and (ii) the Issue Price falls within the range of the Property Related Comparables; and lies above the mean and median of the PB Ratio of the Property Related Comparables. Having considered the above, we are of the view that the Issue Price of the Consideration Shares to be allotted and issued to the Vendor, which was determined based on the Share price as at the Last Trading Day, is fair and reasonable in comparison to the existing trading price levels among the Property Related Comparables.

II. Comparison of the Issue Price against comparable transactions

As discussed previously, we have further considered to conduct comparison against comparable transactions by comparing the followings with the Property Related Comparables:

- the premium/(discount) of the issue price over/(to) the closing price of the last trading day prior to the date of the relevant agreement;
- the premium/(discount) of the issue price over/(to) the closing price of the last 5 trading days prior to the date of the relevant agreement; and
- the premium/(discount) of the issue price over/(to) the net asset value per share.

We have considered the above methodologies and concluded that the methodologies are appropriate because:

(i) the Share price as at the Last Trading Day has already reflected the fundamentals of the Company as analysed in the section headed "*Review on the Share price performance*", including the market reactions to the expansion of property development business brought into by the Group since January 2018;

(ii) the selection criteria of the Property Related Comparables include (1) the transaction involved acquisition of property related assets/businesses; and (2) companies deriving at least 50% of total revenue from property related business in the latest full financial year, therefore identical comparison could be conducted in terms of business operations as compared to the Acquisition; and

(iii) the transactions contemplated under the Property Related Comparables and Acquisition involved consideration shares for settlement of consideration and the determination of the relevant issue price was derived based on the prevailing share price and net asset value per share of each companies to acquire the assets and/or business.

In light of the above, we considered that the above methodologies are relevant and appropriate for comparison and assessment of determination of the Issue Price.

Comparison against comparable transactions based on (i) the premium/(discount) of the issue price over/(to) the closing price of the last trading day prior to the date of the relevant agreement; and (ii) the premium/(discount) of the issue price over/(to) the closing price of the last 5 trading days prior to the date of the relevant agreement

Given both (i) the premium/(discount) of issue price over/(to) the closing price of the last trading day prior to the date of the relevant agreement; and (ii) the premium/discount of issue price over/(to) the average closing price of the last 5 trading days prior to the date of the relevant agreement are the necessary disclosure of each transactions required under the applicable Listing Rules, we consider that the aforesaid periods represent the benchmark rate and period of each Comparables to facilitate analysis of the Issue Price for comparison.

Set out below is the list of acquisition involved issue of consideration shares as announced by the Property Related Comparables during the last twelve months prior to and including the date of the Agreement.

Table 7: List of issue of consideration shares exercises as announced by the Property Related Comparables during the last twelve months prior to and including the date of the Agreement.

No.	Date of announcement	Name of Company	Stock code	Premium/(discount) of issue price over/(to) the closing price of the last trading day prior to the date of the relevant agreement	Premium/(discount) of issue price over/(to) the average closing price of the last 5 trading days prior to the date of the relevant agreement
1.	30 May 2018	GR Properties Limited	108	2.56%	(2.44%)
2.	5 June 2018	Jiayuan International Group Limited	2768	(3.54%)	(5.79%)
3.	19 September 2018	Jiayuan International Group Limited	2768	(5.31%)	(4.25%)
4.	21 September 2018	China Sandi Holdings Limited	910	(9.50%)	(9.80%)
5.	8 October 2018	Magnus Concordia Group Ltd	1172	(7.50%)	(6.00%)
6.	22 October 2018	Carnival Group International Holdings Limited	996	25.0%	2.46%
			Property related transactions		
			Maximum	25.00%	2.46%
			Minimum	(9.50%)	(9.80%)
			Average	0.28%	(4.30%)

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

As further shown in the above table, the Property Related Comparables are the transaction involved similar principal activities (i.e. property investment) as compared to the Acquisition. The issue price of the Property Related Comparables to the relevant closing price on the date of the agreement of relevant issue price ranged from a premium of approximately 25.00% to a discount of approximately 9.50%, with an average premium of approximately 0.28%. We noted that the premium of approximately 3.77% to the closing price of the Shares on the date of the Agreement under the Acquisition falls within the abovementioned range of the Property Related Comparables and represents a higher premium when compare to the average premium of approximately 0.28% of the Property Related Comparables. In addition, the issue price of the Property Related Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the issue price ranged from a premium of approximately 2.46% to a discount of approximately 9.8%, the premium of approximately 5.77% to the average of the last five consecutive trading days immediately prior to the date of signing of the Agreement is slightly exceed the maximum of 2.46% of the Property Related Comparables. Having considered,

(i) the premium of the Issue Price over the closing price of the Last Trading Day (i.e. approximately 3.77%) falls within the range of the Property Related Comparables;

(ii) the premium of the Issue Price over the closing price of the Last Trading Day (i.e. approximately 3.77%) represents a premium over the average premium of 0.28% over the closing price of the relevant last trading day of the Property Related Comparables;

(iii) the premium of the Issue Price over the closing price of the last 5 trading days prior to the date of the Agreement (i.e approximately 5.77%) exceeds the maximum premium of 2.46% over the closing price of the last 5 trading days prior to the date of the relevant agreement of the Property Related Comparables; and

(iv) the premium of the Issue Price over the closing price of the last 5 trading days prior to the date of the Agreement (i.e approximately 5.77%) represents a premium over the average discount of 4.30% to the closing price of the last 5 trading days prior to the date of the relevant agreement of the Property Related Comparables,

we are of the view that the Issue Price was set at a level of premium over the market that is beneficial to the Company and consider that the Issue Price is fair and reasonable.

Comparison against comparable transactions based on the net asset value per Share

In assessing the fairness and reasonableness of the issue price, we have further considered other alternative comparison method, such as the comparison between net asset value per share and the issue price of the relevant transactions. Set out below is the table showing the percentage of the issue price over/(to) the net asset value per share of the Property Related Comparables under the relevant transactions.

Table 8: List of the (Sorted) Property Related Comparables relating to the percentage of the issue price over/(to) the net asset value per share

No.	Date of announcement	Name of Company	Stock Code	Net asset value per share as at the latest audited financial period/year end date prior to the relevant announcement (HKD)	Issue price of the relevant transaction (HKD)	Premium/ (discount) of the issue price over/ (to) the net asset value per share
1	30 May 2018	GR Properties Limited	108	0.717	0.800	11.58%
2	8 October 2018	Magnus Concordia Group Ltd	1172	0.193	0.210	8.81%
3.	21 September 2018	China Sandi Holdings Limited	910	0.866	0.412	(52.42%)
4.	22 October 2018	Carnival Group International Holdings Limited	996	0.456	0.20	(56.14%)
5.	5 June 2018	Jiayuan International Group Limited	2768	3.468	14.18	308.88%
6.	19 September 2018	Jiayuan International Group Limited	2768	3.468	13.73	295.91%
				Properties related transactions		
				Maximum		308.88%
				Minimum		(56.14%)
				Average		86.10%

As shown in the above table, the issue price of the Property Related Comparables to the relevant net asset value per share ranged from a premium of approximately 308.88% to a discount of approximately 56.14%, with an average premium of approximately 86.10%. We note that the premium of approximately 71.88% of the Issue Price to the audited consolidated net asset value per Share attributable to equity holders of the Company (as stated in page 42 under the sub-section "Evaluation of the Consideration Shares" of the letter) falls within the abovementioned range of the Property Related Comparables and represents a lower premium as compared to the average premium of approximately 86.10% of the Property Related Comparables as listed above. We have considered,

(i) the premium of the Issue Price over the audited consolidated net asset value per Share of the Company falls within the range of the Property Related Comparables;

(ii) the premium of the Issue Price over the audited consolidated net asset value per Share of the Company represents a premium close to the average premium of approximately 86.10% of the Property Related Comparables; and

(iii) the range of the issue price over the net asset value per share of the transactions conducted by Jiayuan International Group Limited are extremely wide which may create anomalous results and distort the analysis. If we exclude the relevant transactions from the Property Related Comparables, the average percentage of the issue price over the net asset value per share of the Property Related Comparables will be revised from a premium of 86.10% to a discount of 22.05%, which is substantially lower than that of the Issue Price to the audited consolidated net asset value per Share attributable to equity holders of the Company (i.e. a premium of 71.88%), represents a level of premium over the market that is beneficial to the Company.

After considered the above, we consider that the Issue Price was set at a level of premium close to the market that is beneficial to the Company and consider that the Issue Price is fair and reasonable.

Conclusion on the evaluation of the Issue Price

Given the Issue Price represents a premium to the closing prices of the Shares during the Review Period, taking into consideration that (i) the thin liquidity of the Shares during the Review Period; (ii) the premium of the Issue Price falls within the range of that of the Comparables; (iii) the Consideration which is determined based on the Adjusted NAV of the Target Group as mentioned in the section headed "Consideration" in this letter is on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned; and (iv) as mentioned in the section headed "Resource and benefits of entering into the Agreement" of this letter, the Acquisition is in the interest of the Company and the Shareholder as a whole, we consider that the determination of the Issue Price are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Conclusion

Based on the above analysis, we are of the same view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the transaction contemplated under the Agreement is in the interests of the Company and the Shareholders as a whole.

VI. Effect on the shareholding structure of the Company

As at the Latest Practicable Date, there are an aggregate outstanding Share Options to subscribe for 43,238,000 Shares, all of which were granted on 25 April 2016 at exercise price of HK$0.734 per Share.

As at the Latest Practicable Date, the Company has 5,330,387,880 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Consideration Shares; and (iii) upon immediately the allotment and issue of Consideration Shares and the exercise of all outstanding share options and assuming there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date:

	(i) As at the Latest Practicable Date		(ii) Immediately upon the allotment and issue of Consideration Shares		(iii) Upon immediately the allotment and issue of Consideration Shares and the exercise of all outstanding share options	
Expert Corporate Limited *(Note 1)*	1,968,200,000	36.92%	1,968,200,000	30.93%	1,968,200,000	30.72%
The Vendor *(Note 2)*	–	–	1,033,000,000	16.23%	1,033,000,000	16.12%
Mr. Hong *(Note 4)*	–	–	–	–	6,400,000	0.10%
Sub-total of the Concert Group	**1,968,200,000**	**36.92%**	**3,001,200,000**	**47.16%**	**3,007,600,000**	**46.94%**
Ever Ultimate Limited *(Note 3)*	1,115,800,000	20.93%	1,115,800,000	17.54%	1,115,800,000	17.42%
Mr. Ng Chi Chung *(Notes 3 & 4)*	12,098,000	0.23%	12,098,000	0.19%	18,498,000	0.29%
Public Shareholders	2,234,289,880	41.92%	2,234,289,880	35.11%	2,234,289,880	34.87%
Other holders of share options *(Note 4)*	–	–	–	–	30,438,000	0.48%
Total	5,330,387,880	100.00%	6,363,387,880	100.00%	6,406,625,880	100.00%

Notes:

1. Expert Corporate Limited 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, the executive Director of the Company. Mr. Ng Chi Chung is therefore deemed to be interested in the Shares owned by Ever Ultimate Limited.

4. The share options refer to the total of 43,238,000 outstanding share options granted by the Company on 25 April 2016 pursuant to the share option scheme of the Company adopted on 26 November 2013.

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 41.92% to approximately 35.11% of total shareholdings, that is a 6.81% 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 planned by the management of the Target Group to generate income from the sales of the Properties to the Enlarged Group following completion of the construction work by the end of second quarter of 2019.

In this regard, taking into account (i) the reasons for and benefits of the Acquisition; and (ii) the terms of the Agreement being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders upon the allotment and issue of the Consideration Shares is acceptable.

VII. Financial effects of the Acquisition

Upon the Completion, Target Company, HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirectly wholly-owned subsidiaries of the Company.

As set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group, 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 issued by the Hong Kong Institute of Certified Public Accountants.

Under the principles of merger accounting, the consolidated financial statements incorporate the financial statement items of the Target Group 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 Target Group are consolidated using the existing book values from the controlling party's perspective and no adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination.

(i) Earnings

The construction of the Properties is not expected to be completed immediately following Completion. Accordingly, the Properties would not immediately contribute turnover or profit to the Group upon Completion. As stated in the Letter, the Properties is scheduled to be completed in the year 2019. It is expected that once the construction work of the Properties has been completed, it would provide the Group with stable income in the long term.

(ii) 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 2018. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 41.8% from approximately RMB3,350.2 million to approximately RMB4,749.8 million and its total liabilities would increase approximately 73.8% from approximately RMB1,875.0 million to approximately RMB3,258.4 million.

As advised by the Vendor, the original costs of the Target Group is approximately RMB100,001,300. The Board noted that the Consideration represents 5.0 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:

(a) 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 2018; and

(b) the original acquisition cost are paid by Vendor to her connected parties mainly for reorganization purpose. Accordingly, it did not represent the fair value of the properties.

However, we are advised by the Management that they considered such original acquisition cost representing a substantial discount to the market value of the Properties is not an appropriate reference for determining the Consideration, since the Vendor's original acquisition cost was determined based on the registered share capital of the Target Group which did not take into account the fair market value of the Properties and the relevant construction cost being borne by Dragon Holdings at the time when the original acquisition cost was agreed.

Despite that the Consideration of RMB499,972,000 (equivalent to approximately HK$568,150,000) represented a premium of approximately 500% to the Vendor's original acquisition cost, after considering that (i) such original acquisition cost was determined based on registered share capital of the Target Group for reorganization purpose; and (ii) the valuation results relating to the market value of the Properties as conducted by the Valuer as at 30 September 2018, we therefore concur with the Management that the Vendor's original acquisition cost shall not be a good reference in determining the Consideration.

Accordingly, we concur with the Board's view that the Consideration is fair and reasonable in the circumstances.

VIII. The Whitewash Waiver

As at the Latest Practicable Date, the Concert Group is interested in 1,968,200,000 Shares in aggregate, representing approximately 36.92% of the issued share capital of the Company. Following the allotment and issue of the Consideration Shares, the shareholding of the Concert Group in the Company will be increased to 3,001,200,000 Shares in aggregate, representing approximately 47.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As the Acquisition will increase the Concert Group's collective holding of voting rights of the Company by more than 2%, in the absence of the Whitewash Waiver, the Vendor would be under an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26 of the Takeovers Code.

An application to the Executive for the Whitewash Waiver will be made by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver at the EGM where voting on the relevant resolution shall be taken by poll.

Based on our analysis regarding the terms of the Agreement, we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Acquisition, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular:

For the Agreement,

- the Acquisition is in line with the Group's development to further expand its existing business;
- there is a potential growth in the PRC property market which allows the Group to enjoy a steady state of the Properties market value in the future;
- the market value of the properly interest held by PRC Subsidiary B which is determined based on the Valuation are fair and reasonable and the Consideration is justifiable given that it is determined based on the Adjusted NAV of the Target Group;
- the issue price of the Consideration Shares represents a premium, to the closing price of the Shares on the Last Trading Day and the latest published audited net asset value per Share of the Group;
- the pro forma unaudited net asset value of the Enlarged Group could be improved as per Appendix IV to this Circular,

we consider although the Acquisition is not in the ordinary and usual course of business, it is incidental to the Group's development of its ordinary and usual course of business. The terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

For the Whitewash Waiver,

- no material change in existing business and management of the Group;
- the Consideration is justifiable for reasons as discussed in the sub-section headed "(b) Evaluation of the basis of the Consideration" in page 79 of this letter;
- the Acquisition will have an overall positive financial effect on the Group's earnings and financial position and is in the interests of the Company and the Independent Shareholders as a whole; and

- the Whitewash Waiver is one of the conditions precedent for Completion, failure of which the Acquisition will not proceed,

we consider that seeking of the grant of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned and the approval of the Whitewash Waiver by the Independent Shareholders is in the interests of the Company and the Independent Shareholders.

We therefore advise the Independent Board Committee, the Connected Transaction Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor 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

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018 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:

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 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN20180420009.pdf

2018 interim report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0903/LTN20180903659.pdf

Set out below is a summary of the financial performance of the Group for the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018, for which information has been published:

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited) *(Restated)*	(Unaudited)
Income from financial related services					
Interest income from:					
– Pawn loans	13,970	7,669	–	–	–
– Entrusted loans	50,488	73,710	54,162	21,036	33,144
– Money lending	2,866	26,597	31,558	13,401	10,867
Income from financial consultancy services	56,760	40,367	28,374	28,539	2,810
Income from supply chain agency services	–	2,266	5,402	3,242	655
Income from guarantee services	16,561	9,646	8,888	3,018	9,365
Income from finance lease services	21,505	41,404	52,831	30,839	20,503
Sub-total of income from financial related services	**162,150**	**201,659**	**181,215**	**100,075**	**77,344**
Income from assets management business					
Income from disposals/executions of distressed financial assets	21,000	32,233	20,233	20,233	3,911
Sales of properties	–	–	–	–	346,775
Rental income	–	–	–	–	1,691
Income from disposals of other assets	–	20,000	5,205	–	–
Finance income	–	40,976	44,726	22,935	–
Income from provision of asset management solutions	–	–	39,139	–	–
Dividend income	–	–	8,750	8,750	–
Sub-total of income from assets management business	**21,000**	**93,209**	**118,053**	**51,918**	**352,377**
Total revenue	**183,150**	**294,868**	**299,268**	**151,993**	**429,721**

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Unaudited) *(Restated)*	(Unaudited)
Profit before income tax for the year/period	**142,484**	**193,032**	**216,029**	**121,765**	**205,598**
Income tax expense	**36,960**	**50,639**	**45,187**	**23,173**	**62,277**
Profit for the year/period	**105,524**	**142,393**	**170,842**	**98,592**	**143,321**
Other comprehensive income	**6,805**	**(20,659)**	**12,659**	**1,085**	**29,666**
Total comprehensive income for the year/period	**112,329**	**121,734**	**183,501**	**99,677**	**172,987**
Profit for the year/period attributable to:					
Owners of the Company	**103,788**	**135,509**	**160,209**	**92,814**	**107,142**
Non-controlling interests	**1,736**	**6,884**	**10,633**	**5,778**	**36,179**
	105,524	**142,393**	**170,842**	**98,592**	**143,321**
Total comprehensive income attributable to:					
Owners of the Company	**110,593**	**114,850**	**172,868**	**93,899**	**136,808**
Non-controlling interests	**1,736**	**6,884**	**10,633**	**5,778**	**36,179**
	112,329	**121,734**	**183,501**	**99,677**	**172,987**
Earnings per share					
– Basic (RMB cents)	**2.56**	**3.20**	**3.78**	**2.19**	**2.48**

There has been no modified opinion, emphasis of matter or material uncertainty relating to going concern in the auditors' report in respect of each of the last 3 financial years.

2. STATEMENT OF INDEBTEDNESS

Bank and other borrowings

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding secured bank borrowings amounted to approximately RMB775,638,000 and other secured borrowings amounted to approximately RMB139,510,000, which bearing an interest rate ranging from 5.1% to 8.0%.

Corporate bonds and guarantee notes

As at the close of business on 31 October 2018, the Enlarged Group had unsecured corporate bonds and secured guarantee notes with an aggregate principal amount of approximately RMB268,840,000 (equivalent to HK$305,500,000) and RMB130,416,000 (equivalent to US$19,000,000) respectively, which bearing an interest rate ranging from 5.5% to 7.0% and 7.0% per annum respectively.

Contingent liabilities and guarantees

As at the close of business on 31 October 2018, the Enlarged Group provided the following financial guarantees:

(a) RMB397,302,000 to banks for bank 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;

(b) RMB725,508,000 to banks in respect of mortgage loans granted to purchasers of certain property units from the Enlarged Group's property development business; and

(c) PRC Subsidiary B received notice that it is being sued in respect of an accident in the construction site purported to have been suffered by an employee during his employment with PRC Subsidiary B. If PRC Subsidiary B is found to be liable, the total expected monetary compensation may amount to approximately RMB1,592,000. PRC Subsidiary B continues to deny any liability in respect of the accident and, based on the discussion with the lawyer who is legal representative of PRC Subsidiary B in this litigation, the directors of the Company do not believe it is probable that the court will fine against PRC Subsidiary B and therefore it is not highly probable for the event to result in an outflow of resources from the Enlarge Group. No obligation is recognised by the Enlarged Group as of now. No provision has therefore been made in respect of this claim.

Pledge of assets

As at the close of business on 31 October 2018, the Enlarged Group had the following charges over assets:

(a) Properties under development with carrying amount of approximately RMB1,110,787,000 have been pledged for certain secured bank borrowings; and

(b) Finance lease receivables with carrying amount of RMB43,200,000 have been pledged for certain secured bank borrowings.

Others

At the close of business on 31 October 2018, the Enlarged Group had (i) the Former Consideration of approximately RMB100,001,000, which are unsecured, interest free and repayable on or before 19 October 2019; and (ii) the Dragon's Loan of approximately RMB334,872,000, which are unsecured, interest free and repayable on or before 30 September 2019.

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, facilities 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 CHANGE

The Directors confirm that since 31 December 2017, 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, save as the major and connected transaction in relation to the acquisition of all issued share capital of Differ Cultural Tourism Development Company Limited as disclosed in the Company's announcement dated 21 November 2017. There has been no material change in the financial or trading position or prospects of the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018, respectively, in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

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) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

(i) For the six months ended 30 June 2018

Analysis on financial performance

During the six months ended 30 June 2018, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the six months ended 30 June 2018 mainly based on (a) revenue; and (b) profit for the respective financial period.

(a) Revenue

During the six months ended 30 June 2018, the total turnover of the Group was increased from approximately RMB152.0 million for the six months ended 30 June 2017 to approximately RMB429.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB277.7 million or 182.7%. Such increase was attributable to the net effect of the following reasons:

- Financial related services

The Group's income from financial related services business was decreased by approximately 22.7% from approximately RMB100.1 million for the six months ended 30 June 2017 to RMB77.3 million for the six months ended 30 June 2018. The decrease of the income was mainly due to (i) a decrease in the Group's finance lease services income by approximately 33.5% from approximately RMB30.8 million for the six months ended 30 June 2017 to approximately RMB20.5 million for the six months ended 30 June 2018, which was mainly due to decrease of contribution of the finance lease income from Hong Kong during the six months ended 30 June 2018; and (ii) the decrease in financial consultancy service income from approximately RMB28.5 million for the six months ended 30 June 2017 to approximately RMB2.8 million for the six months ended 30 June 2018 which was mainly due to the decrease of the number of the customers.

- Assets management business

The Group's income from assets management business was increased by approximately 578.7% from approximately RMB51.9 million for the six months ended 30 June 2017 to RMB352.4 million for six months ended 30 June 2018. Such increase was mainly due to the inclusion of the financial results of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") and its subsidiaries (the "**Differ Cultural Group**") after completion of the acquisition of the entire issued share capital of Differ Cultural on 23 January 2018.

As mentioned above, the acquisition of Differ Cultural Group was completed on 23 January 2018. Differ Cultural Group manages two major residential and commercial property projects, being Differ Sky Realm (鼎豐天境) and 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. Differ Sky Realm 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 sq. m and a total gross floor area of approximately 377,169 sq. m upon completion. The Phase 1 of Differ Sky Realm was completed and delivered to the purchasers in the second quarter of 2018. The Phase 1 of Differ Sky Realm covers a total gross floor area of approximately 75,256 sq. m., of which approximately 94% of the saleable area was sold as at 30 June 2018. The revenue for the Phase 1 of Differ Sky Realm for the six months ended 30 June 2018 was approximately RMB346.8 million.

(b) Profit for the period

The Group's profit for the period was approximately RMB143.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB44.7 million, or 45.4%, from approximately RMB98.6 million for the six months ended 30 June 2017. Such increase in profit for the period was mainly attributable to an increase in the total revenue as a result of the inclusion of the financial results of Differ Cultural Group as described above.

Analysis on financial conditions

Liquidity and financial resources

As at 30 June 2018, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB167.0 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 13.3% as at 30 June 2018. The current ratio is 1.65 times as at 30 June 2018. The Group did not use any financial instruments for hedging purpose.

Capital Structure

As at 30 June 2018, the share capital of the Company comprises 4,930,387,880 ordinary shares. As at 30 June 2018, the net assets of the Group amounted to approximately RMB1,475,194,000, comprising non-current assets of approximately RMB1,199,621,000, net current assets of approximately RMB851,035,000 and non-current liabilities of approximately RMB575,462,000.

Capital expenditure

During the financial period ended 30 June 2018, the Group had incurred a capital expenditures of approximately RMB8,451,000, which was contributed by (i) leasehold improvements of approximately RMB7,895,000; (ii) an addition of furniture, fixtures and office equipment of approximately RMB556,000.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Main cash resources and applications

As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately RMB155,811,000 with an increase of approximately RMB95,274,000 as compared to the cash and cash equivalents as at 31 December 2017. As set out in the interim report of the Company for the six months ended 30 June 2018, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows generated from operating activities of approximately RMB495,874,000; (ii) the net cash flows used in investing activities of approximately RMB456,911,000; and (iii) the net cash flows generated from financing activities of approximately RMB57,689,000. As further disclosed in the interim report of the Company for six months ended 30 June 2018, the increase in the cash and cash equivalents of the Group was mainly due to the inclusion of the financial results of Differ Cultural Group as described above.

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB11.2 million as at 30 June 2018 was pledged to secure for the Group's facilities of providing financial services to the customers.

Bank borrowings with carrying amount of approximately RMB30.0 million was secured by finance lease receivables with carrying amount of approximately RMB44.2 million.

Employees and remuneration policies

As at 30 June 2018, the Group had a total of 264 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 21 November 2017, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with the Vendor to acquire the entire issued share capital of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") at a consideration of RMB375,000,000. The Group and Differ Cultural were under common control and managed by Mr. Hong, the substantial shareholder of the Company, via the Vendor through a trust arrangement, the acquisition is considered as a combination of businesses under common control. The consideration is settled by 84,000,000 shares of the Company at issue price of HK$0.582 per share and the remaining by cash after considering the outstanding debts owned by the Vendor, Mr. Hong and their respective associate companies to Differ Cultural and its subsidiaries at the completion date as defined in the circular of the Company dated 23 December 2017. The principal activities of Differ Cultural and its subsidiaries are property development and management. Such acquisition was completed on 23 January 2018.

Save as disclosed above, no significant investments and future plans of material investment was made during the six months ended 30 June 2018.

(ii) For the year ended 31 December 2017

Analysis on financial performance

During the year ended 31 December 2017, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services segment; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2017 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) Revenue

During the year ended 31 December 2017, the total turnover of the Group was increased from approximately RMB294.9 million for the year ended 31 December 2016 to approximately RMB299.3 million for the year ended 31 December 2017, representing an increase of approximately RMB4.4 million or 1.5%. The increase was attributable to the net effect of the following reasons:

- Financial related services

The Group's income contributed from financial related services was decreased by 10.1% from approximately RMB201.7 million for the year ended 31 December 2016 to RMB181.2 million for the year ended 31 December 2017. The decrease of the income was mainly due to (i) the decrease in the financial consultancy service income of the Group from approximately RMB40.4 million for the year ended 31 December 2016 to RMB28.4 million for the year ended 31 December 2017, which was mainly attributable to the decrease of the number of the customers which lead to decrease of our income from financial consultancy services; (ii) the decrease in the Group's entrusted loan service income by approximately 26.5% from approximately RMB73.7 million for the year ended 31 December 2016 to approximately RMB54.2 million for the year ended 31 December 2017, which was due to the decrease of the number of customers and average interest rate charge; and (iii) the decrease in the Group's guarantee service income by approximately 7.9% from approximately RMB9.6 million for the year ended 31 December 2016 to approximately RMB8.9 million for the year ended 31 December 2017, which was mainly due to the decrease in the number of guarantee service under a prudent approach to approve the application of the guarantee services from potential customers during the year.

- Assets management business

The Group's income contributed from assets management business was increased by approximately 26.7% from approximately RMB93.2 million for the year ended 31 December 2016 to approximately RMB118.1 million for the year ended 31 December 2017. Although the Group has not disposed any property during the year ended 31 December 2017 as compared with four properties being disposed for the corresponding period in 2016, the increase of the 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 RMB44.7 million; (ii) the Group recorded income from disposal/executions of distressed financial assets and other assets of approximately RMB25.4 million; and (iii) the Group received dividend income of approximately RMB8.8 million from its equity investments.

Besides, the Group also provides asset management solutions to certain clients in the PRC and recorded service income of approximately RMB39.1 million during the year ended 31 December 2017. The Group provided corporate finance and business reorganisations advice to clients. In addition, the Group also assisted with the clients to restructure and market their underlying assets in the most appropriate manner to maximize the selling value. The asset management service incomes are based on the pre-agreed percentage of the selling prices of the underlying assets of clients.

(b) Profit for the year

The Group's profit for the year was approximately RMB170.8 million for the year ended 31 December 2017, representing an increase of approximately RMB28.4 million, or 20.0%, from approximately RMB142.4 million for the year ended 31 December 2016. Such increase in profit for the year was mainly attributable to (i) an increase in the total revenue as described above; (ii) an increase in other income from approximately RMB3.4 million for the year ended 31 December 2016 to approximately RMB37.4 million for the year ended 31 December 2017, which was mainly due to the fact that the Group has received large amount of settlements from certain obligors of non-performing loans which the relevant loan receivables have been impaired in previous years; and (iii) the decrease in other expenses from approximately RMB47.4 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017, which was mainly attributable to decrease of impairment loss on finance lease, loan and account receivables of approximately RMB6.4 million and partly offset by the slightly increase of the operating expenses.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2017, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB50.2 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 31.8% as at 31 December 2017. The current ratio is 4.1 times as at 31 December 2017. During the year, the Group did not use any financial instruments for hedging purpose.

Capital Structure

As at 31 December 2017, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2017, the net assets of the Group amounted to approximately RMB1,203,029,000, comprising non-current assets of approximately RMB572,602,000, net current assets of approximately RMB1,068,601,000 and non-current liabilities of approximately RMB438,174,000.

Capital expenditure

During the financial year ended 31 December 2017, the Group had incurred a capital expenditures of approximately RMB4,685,000, which was contributed by (i) leasehold improvements of approximately RMB3,840,000; (ii) an additions of motor vehicle, furniture, fixtures and office equipment of approximately RMB845,000.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Main cash resources and applications

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB32,475,000 with an increase of approximately RMB11,498,000 as compared to the cash and cash equivalents as at 31 December 2016. As set out in the annual report of the Company for the year ended 31 December 2017, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows generated from operating activities of approximately RMB141,954,000; (ii) the net cash flows used in investing activities of approximately RMB88,854,000; and (iii) the net cash flows used in financing activities of approximately RMB40,442,000. As further disclosed in the annual report of the Company for the year ended 31 December 2017, the increase in the cash and cash equivalents of the Group was mainly due to increase of net cash generated from operating activities during the year 2017.

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB27.7 million as at 31 December 2017 were pledged to secure for the Group's facilities of providing financial services to the customers.

Bank borrowings with carrying amount of approximately RMB36 million were secured by finance lease receivables with carry amount of approximately RMB49.5 million.

Employees and remuneration policies

As at 31 December 2017, the Group had a total of 105 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 27 September 2017, the Group has acquired 25% equity interest in Differ Supply Chain Development Group Limited ("**Differ Supply**") at the consideration of RMB8 million (the "**25% Acquisition**"). Differ Supply and its subsidiaries are principally engaged in supply chain business in PRC. Completion of the 25% Acquisition took place on 27 September 2017 and Differ Supply became an indirect wholly-owned subsidiary of the Company.

On 27 October 2017, the Group has acquired 37% equity interest in Jiashi Financial Limited ("**Jiashi Financial**") at the consideration of RMB120 million (the "**37% Acquisition**"). Jiashi Financial and its subsidiaries are principally engaged in finance lease business in PRC. Completion of the 37% Acquisition took place on 27 October 2017 and Jiashi Financial became an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, no significant investments and future plans of material investment was made during the year ended 31 December 2017.

(iii) For the year ended 31 December 2016

Analysis on financial performance

During the year ended 31 December 2016, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2016 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) Revenue

During the year ended 31 December 2016, the total turnover of the Group was increased from approximately RMB183.2 million for the year ended 31 December 2015 to approximately RMB294.9 million for the year ended 31 December 2016, representing an increase of approximately RMB111.7 million or 61.0% The increase was attributable to the net effect of the following reasons:

- Financial related services

  The Group's income contributed from financial related services was increased by 24.4% from approximately RMB162.2 million for the year ended 31 December 2015 to RMB201.7 million for the year ended 31 December 2016. The increase of the income was mainly due to (i) the increase in the income from finance lease services from approximately RMB21.5 million to approximately RMB41.4 million, which was mainly attributable to the contribution of the finance lease income from the Jiashi International Financial Limited and its subsidiaries acquired in late October 2015; (ii) the increase in the interest income from money lending from approximately RMB2.9 million to approximately RMB26.6 million, which was mainly attributable to the strong demand for financing from small and medium enterprise, the Group has provided more short-term financing to customers in the PRC; and (iii) the increase in the interest income from entrusted loans from approximately RMB50.5 million to approximately RMB73.7 million which was mainly attributable to the increase of average entrusted loan receivables during the year.

- Assets management business

The Group's income contributed from assets management business was increased by approximately 343.9% from approximately RMB21 million for the year ended 31 December 2015 to approximately RMB93.2 million for the year ended 31 December 2016. The increase was mainly due to the fact that the Group has disposed four properties during the year ended 31 December 2016 as compared with only two properties has been disposed for the corresponding period in 2015. Besides, certain obligors of non-performing loans have settled the debts according to the terms set out in the relevant contracts and the Group has recorded finance income from non-performing loans.

(b) Profit for the year

The Group's profit for the year was approximately RMB142.4 million for the year ended 31 December 2016, representing an increase of approximately RMB36.9 million, or 34.9%, from approximately RMB105.5 million for the year ended 31 December 2015. Such increase in profit for the year was mainly attributable to (i) an increase in the total revenue as described above; and (ii) the gain on disposal of subsidiaries of approximately RMB6,942,000 recognised during the year due to a dispose of 100% equity share of DiPro Company Limited (鼎保有限公司) and its subsidiaries, namely Differ Financial Development HK Limited (鼎豐金融發展有限公司), Xiamen City Wending Investment Consulting Company Limited* (廈門市問鼎投資諮詢有限公司) and Differ Pawn (controlled through structured agreements) at a consideration of RMB65,000,000 which was completed on 24 June 2016.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2016, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB143.8 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 28.2% as at 31 December 2016. The current ratio is 3.0 times as at 31 December 2016. During the year, the Group did not use any financial instruments for hedging purpose.

Capital Structure

As at 31 December 2016, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2016, the net assets of the Group amounted to approximately RMB1,139,193,000, comprising non-current assets of approximately RMB549,703,000, net current assets of approximately RMB867,755,000 and non-current liabilities of approximately RMB278,265,000.

Capital expenditure

During the financial year ended 31 December 2016, the Group had incurred a capital expenditure of approximately RMB1,023,000, which was contributed by an additions of motor vehicle, furniture, fixtures and office equipment.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Main cash resources and applications

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB20,977,000 with a decrease of approximately RMB68,533,000 as compared to the cash and cash equivalents as at 31 December 2015. As set out in the annual report of the Company for the year ended 31 December 2016, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows used in operating activities of approximately RMB228,029,000; (ii) the net cash flows generated from investing activities of approximately RMB35,324,000; and (iii) the net cash flows generated from financing activities of approximately RMB125,100,000. As further disclosed in the annual report of the Company for the year ended 31 December 2016, the decrease in the cash and cash equivalents of the Group was mainly due to a decrease of net cash generated from financing activities during the year 2016.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB122.8 million as at 31 December 2016 were pledged to secure for the Group's facilities of providing financial services to the customers.

Employees and remuneration policies

As at 31 December 2016, the Group had a total of 138 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 24 June 2016, the Group has disposed 100% equity share of DiPro Company Limited and its subsidiaries, namely Differ Financial Development HK Limited, 廈門市問鼎投資諮詢有限公司 (Xiamen City Wending Investment Consulting Company Limited) and 福建鼎豐典當有限公司 (Fujian Differ Pawn Company Limited) (controlled through the structured agreements) (collectively the "**Disposal Group**") at the consideration of RMB65,000,000. The Disposal Group is principally engaged in pawn loan business in PRC.

Save as disclosed above, no significant investments and future plans of material investment was made during the year ended 31 December 2016.

(iv) For the year ended 31 December 2015

Analysis on financial performance

During the year ended 31 December 2015, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into one category, which is the financial related services. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2015 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) Revenue

During the year ended 31 December 2015, the total turnover of the Group was increased from approximately RMB118.1 million for the year ended 31 December 2014 to approximately RMB183.2 million for the year ended 31 December 2015, representing an increase of approximately RMB65.1 million or 55.1%. The increase was attributable to the net effect of (i) the increase in the Group's entrusted loan service income by approximately 29.2% from approximately RMB39.1 million for the year ended 31 December 2014 to approximately RMB50.5 million for the year ended 31 December 2015, which was due to (1) the increase of outstanding entrusted loan receivables from approximately RMB196.0 million as at 31 December 2014 to RMB371.8 million as at 31 December 2015 and (2) the total amount of new or renewed entrusted loans granted increased from approximately RMB489.0 million for the year ended 31 December 2014 to RMB591.8 million for the year ended 31 December 2015; (ii) the increase in the interest income from money lending to approximately RMB2,866,000, which was attributable to money lending business commenced during the year; (iii) the increase in the financial consultancy service income of the Group from approximately RMB37.2 million for the year ended 31 December 2014 to RMB56.8 million for the year ended 31 December 2015, which was mainly attributable to the fact that the Group had assisted its customers in obtaining more financing from banks and peer companies; and (iv) the increase in the income from finance lease services from approximately RMB11.3 million for the year ended 31 December 2014 to RMB21.5 million for the year ended 31 December 2015, which was mainly the finance lease services income from the Jiashi International Financial Limited and its subsidiaries which had been consolidated into the Group after the date of the acquisition.

(b) Profit for the year

The Group's profit for the year was approximately RMB105.5 million for the year ended 31 December 2015, representing an increase of approximately RMB32.5 million, or 44.5%, from approximately RMB73.0 million for the year ended 31 December 2014. Such increase in profit for the year was mainly attributable to the increase in the total revenue as described above.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2015, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB183.7 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was approximately 22.8% as at 31 December 2015. The current ratio was approximately 4.6 times as at 31 December 2015. During the year, the Group did not use any financial instruments for hedging purpose.

Capital Structure

As at 31 December 2015, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2015, the net assets of the Group amounted to approximately RMB997,839,000, comprising non-current assets of approximately RMB438,246,000, net current assets of approximately RMB888,668,000 and non-current liabilities of approximately RMB329,075,000.

Capital expenditure

During the financial year ended 31 December 2015, the Group had incurred a capital expenditures of approximately RMB722,000, which was contributed by an additions of motor vehicle, furniture, fixtures and office equipment.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Main cash resources and applications

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB89,510,000 with a decrease of approximately RMB75,069,000 as compared to the cash and cash equivalents as at 31 December 2014. As set out in the annual report of the Company for the year ended 31 December 2015, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows used in operating activities of approximately RMB269,713,000; (ii) the net cash flows generated from investing activities of approximately RMB13,212,000; and (iii) the net cash flows generated from financing activities of approximately RMB183,943,000. As further disclosed in the annual report of the Company for the year ended 31 December 2015, the decrease in the cash and cash equivalents of the Group was mainly due to increase in net cash used in operating activities during the year 2015.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB97.1 million as at 31 December 2015 was pledged to secure for the Group's facilities of providing financial services to the customers.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 147 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 24 August 2015, the Company has entered into the agreement (as amended and supplemental by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September respectively) with Jiashi Company Limited to acquire (i) the sale shares, representing the entire issued share capital of Jiashi International Financial Limited, and (ii) the sale loan of approximately RMB128.3 million, representing all obligations, liabilities and debts owing by Jiashi International Financial Limited to Jiashi Company Limited, at the consideration of approximately RMB104 million. Completion of the such acquisition took place on 26 October 2015.

Save as disclosed above, no significant investment and future plans of material investment was made during the year ended 31 December 2015.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

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

Introduction

We report on the historical financial information of Prime Thrive Investments Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-45, which comprises the combined statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 and the statements of the financial position of the Target Company as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined 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-45 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 31 December 2018 in connection with the proposed acquisition of the entire interest in the Target Company by the Company.

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 and the Target Group as at 31 December 2015, 2016 and 2017 and 30 September 2018 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 combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2017 and other explanatory information (together 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, 31 December 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Set out 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 Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Combined Statements of Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2015	**2016**	**2017**	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	6	–	–	–	–	–
Other income	6	10	80	42	12	26
Selling expenses		(365)	(71)	(79)	(70)	(27)
Administrative and other expenses		(3,002)	(1,350)	(1,471)	(1,258)	(730)
Finance costs	7	(3,250)	–	–	–	–
Loss on disposal of a subsidiary	27	(5,836)	–	–	–	–
Gain on bargain purchase arising from acquisition of subsidiaries	26	18,082	–	–	–	–
Profit/(loss) before income tax	8	5,639	(1,341)	(1,508)	(1,316)	(731)
Income tax expense	10	–	–	–	–	–
Profit/(loss) for the year/period		5,639	(1,341)	(1,508)	(1,316)	(731)
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		(1)	(1)	1	1	(1)
Total comprehensive income for the year/period		5,638	(1,342)	(1,507)	(1,315)	(732)

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) for the year/period attributable to:					
Owners of the Target Company	11,734	(686)	(774)	(675)	(377)
Non-controlling interest	(6,095)	(655)	(734)	(641)	(354)
	5,639	(1,341)	(1,508)	(1,316)	(731)
Total comprehensive income for the year/period attributable to:					
Owners of the Target Company	11,733	(687)	(773)	(674)	(378)
Non-controlling interest	(6,095)	(655)	(734)	(641)	(354)
	5,638	(1,342)	(1,507)	(1,315)	(732)

Combined Statements of Financial Position

	Notes	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30 September 2018 RMB'000
ASSETS AND LIABILITIES					
Non-current asset					
Property, plant and equipment	12	30	16	6	–
Current assets					
Properties under development	14	909,748	1,238,037	1,346,004	1,386,698
Deposits, prepayments and other receivables	15	7,376	2,276	576	2,530
Amount due from non-controlling equity holder of subsidiaries	19	985	–	–	–
Amounts due from related companies	19	123,731	85,461	–	–
Tax prepaid		–	–	1,760	1,760
Cash and bank balances	16	577	37,615	323	428
		1,042,417	1,363,389	1,348,663	1,391,416
Current liabilities					
Trade payables	17	48,412	53,221	56,394	55,912
Accruals and other payables	18	335,430	395,660	319,781	4,929
Contract liabilities		84,600	89,900	137,837	195,305
Amounts due to related companies	19	–	–	4,238	334,872
Amounts due to non-controlling equity holder of subsidiaries	19	–	1,000	1,000	–
Amount due to a director	19	22	28	36	44
Bank borrowings	20	–	12,706	72,702	92,861
		468,464	552,515	591,988	683,923
Net current assets		573,953	810,874	756,675	707,493
Total assets less current liabilities		573,983	810,890	756,681	707,493
Non-current liabilities					
Bank borrowings	20	450,000	688,249	635,547	587,091
Deferred tax liabilities	21	988	988	988	988
		450,988	689,237	636,535	588,079
Net assets		122,995	121,653	120,146	119,414
EQUITY					
Equity attributable to owners of the Target Company					
Share capital	22	–*	–*	–*	–*
Reserves	23	62,717	62,030	61,257	119,414
		62,717	62,030	61,257	119,414
Non-controlling interest		60,278	59,623	58,889	–
Total equity		122,995	121,653	120,146	119,414

* The balance stated is less than RMB1,000

Statements of Financial Position

		As at 31 December			As at 30 September
		2015	**2016**	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSET AND LIABILITY					
Non-current asset					
Investment in a subsidiary	13	–	–	–	–
Current liability					
Amount due to a director	19	(22)	(28)	(36)	(44)
Net current liability		(22)	(28)	(36)	(44)
Net liabilities		(22)	(28)	(36)	(44)
EQUITY					
Share capital	22	–*	–*	–*	–*
Accumulated losses	23	(22)	(28)	(36)	(44)
Capital deficiency		(22)	(28)	(36)	(44)

* The balance stated is less than RMB1,000

Combined Statements of Changes in Equity

	Attributable to owners of the Target Company							
	Share capital	(Accumulated losses)/ Retained earnings	Merger reserve	Other reserve	Translation reserve	Total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 22)		*(note 23)*	*(note 23)*				
At 1 January 2015	–*	(17)	–	–	–	(17)	–	(17)
Profit/(loss) for the year	–	11,734	–	–	–	11,734	(6,095)	5,639
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	11,734	–	–	(1)	11,733	(6,095)	5,638
Capital contribution	–	–	51,001	–	–	51,001	–	51,001
Arising from acquisition of subsidiaries *(note 26)*	–	–	–	–	–	–	66,873	66,873
Acquisition of additional interests in a subsidiary *(note 28)*	–	–	–	–	–	–	(500)	(500)
At 31 December 2015 and 1 January 2016	–*	11,717	51,001	–	(1)	62,717	60,278	122,995
Loss for the year	–	(686)	–	–	–	(686)	(655)	(1,341)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	(686)	–	–	(1)	(687)	(655)	(1,342)
At 31 December 2016 and 1 January 2017	–	11,031	51,001	–	(2)	62,030	59,623	121,653
Loss for the year	–	(774)	–	–	–	(774)	(734)	(1,508)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	1	1	–	1
Total comprehensive income for the year	–	(774)	–	–	1	(773)	(734)	(1,507)
At 31 December 2017	–*	10,257	51,001	–	(1)	61,257	58,889	120,146

* The balance stated is less than RMB1,000

	Attributable to owners of the Target Company							
	Share capital	(Accumulated losses)/ Retained earnings	Merger reserve	Other reserve	Translation reserve	Total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 22)		*(note 23)*	*(note 23)*				
At 31 December 2017 and 1 January 2018	–*	10,257	51,001	–	(1)	61,257	58,889	120,146
Loss for the year	–	(377)	–	–	–	(377)	(354)	(731)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the period	–	(377)	–	–	(1)	(378)	(354)	(732)
Capital contribution	–	–	49,000	–	–	49,000	–	49,000
Acquisition of additional interests in subsidiaries *(note 28)*	–	–	–	9,535	–	9,535	(58,535)	(49,000)
At 30 September 2018	–*	9,880	100,001	9,535	(2)	119,414	–	119,414
At 1 January 2017	–*	11,031	51,001	–	(2)	62,030	59,623	121,653
Loss for the period	–	(675)	–	–	–	(675)	(641)	(1,316)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	–	–	–	–	1	1	–	1
Total comprehensive income for the period	–	(675)	–	–	1	(674)	(641)	(1,315)
At 30 September 2017 (Unaudited)	–*	10,356	51,001	–	(1)	61,356	58,982	120,338

* The balance stated is less than RMB1,000

Combined Statements of Cash Flows

		Year ended 31 December			Nine months ended 30 September	
		2015	**2016**	**2017**	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Profit/(loss) before income tax		5,639	(1,341)	(1,508)	(1,316)	(731)
Adjustments for:						
Depreciation of property, plant and equipment	8	9	15	10	8	6
Interest income	6	(10)	(80)	(12)	(12)	(2)
Interest expense	7	3,250	–	–	–	–
Loss on disposal of a subsidiary	27	5,836	–	–	–	–
Gain on bargain purchase arising from acquisition of subsidiaries	26	(18,082)	–	–	–	–
Operating loss before working capital changes		(3,358)	(1,406)	(1,510)	(1,320)	(727)
Increase in properties under development		(421,125)	(304,532)	(64,047)	(60,333)	(8,519)
Decrease/(increase) in deposits, prepayments and other receivables		7,731	5,100	1,700	(18,131)	(1,954)
(Increase)/decrease in restricted bank balance		–	(36,716)	36,693	36,693	1
Increase/(decrease) in trade payables		21,481	4,536	2,614	2,410	(1,043)
Increase/(decrease) in accruals, other payables and contract liabilities		77,823	61,527	(27,947)	(10,318)	2,094
Cash used in operations		(317,448)	(271,491)	(52,497)	(50,999)	(10,148)
Income tax paid		–	–	(1,760)	(1,760)	–
Net cash used in operating activities		(317,448)	(271,491)	(54,257)	(52,759)	(10,148)
Cash flows from investing activities						
Bank interest received		10	80	12	12	2
Purchases of property, plant and equipment		(1,023)	(1)	–	–	–
Acquisition of subsidiaries, net of cash acquired	26	287	–	–	–	–
Acquisition of additional interests in subsidiaries		(500)	–	–	–	–
(Advance to)/repayment from a non-controlling equity holder of subsidiaries		(985)	985	–	–	–
Advance to a related party		(1,962)	–	–	–	–
Repayment from related companies		7,634	38,270	85,461	62,977	–
Proceed from disposal of a subsidiary, net of cash disposed	27	689	–	–	–	–
Net cash generated from investing activities		4,150	39,334	85,473	62,989	2

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from financing activities					
Proceeds from bank borrowings	450,000	260,000	20,000	20,000	–
Repayment of bank borrowings	(130,000)	–	(15,000)	–	(30,000)
Interest paid	(13,114)	(28,526)	(41,062)	(30,732)	(30,003)
Advance from related companies	–	–	4,238	–	71,248
(Repayment to)/advance from a non-controlling equity holder of subsidiaries	(15)	1,000	–	–	(1,000)
Advance from a director	7,004	5	9	8	7
Net cash generated from/(used in) financing activities	313,875	232,479	(31,815)	(10,724)	10,252
Net increase/(decrease) in cash and cash equivalents	577	322	(599)	(494)	106
Cash and cash equivalents at beginning of the year/period	–	577	899	899	300
Cash and cash equivalents at end of the year/period	577	899	300	405	406

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 22 July 2011. The Target Company's registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the properties development 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 have undergone 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 substantial shareholder and director of the Company. The vendor of the Target Company, Ms. Shi Hongjiao ("**Ms. Shi**"), is the spouse of Mr. Hong. The Reorganisation is merely a reorganisation of the Business with no change in the ultimate shareholder and management of the Business; and was regarded as transactions without economic substance. 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.

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 any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2018.

(b) Basis of measurement

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost basis.

(c) Functional and presentation currency

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in RMB, which is also the functional currency of the Target Company.

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 for its financial year beginning 1 January 2018 and have not been early adopted by the Target Group.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Annual Improvement to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 13, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019

All new standards, amendments to standards and interpretation issued but not effective are not likely to have significant impact on the Historical Financial Information of the Target Group.

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 combination

The combined financial statements comprise the financial statements of the Target Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the combined 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 combined 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 combined 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 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 combined 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 combined 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, investment in a subsidiary are stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Target Company on the basis of dividends received and receivable.

(c) 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:

Office equipment	3 years
Motor vehicles	3 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.

(d) Properties under development

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(e)), 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 properties development project is expected to complete beyond normal operating cycle.

(e) 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. The leasehold interests in land are included in properties under development.

(f) Financial assets

The Target Group classifies its financial assets as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Target Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

– The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment loss on financial assets

The Target Group assesses on a forward looking basis the expected credit loss ("**ECL**") associated with its debt instrument assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's experience and informed credit assessment and including forward-looking information.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Credit-impaired financial assets

At each reporting date, the Target Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past due event;

– the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive); and

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Effective interest method

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

(g) Financial liabilities and equity instruments

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Recognition and measurement

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade payables, accruals and other payables, amounts due to related companies, non-controlling equity holder of subsidiaries and a director, and bank borrowings, 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.

Effective interest method

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

Derecognition

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.

Equity instruments

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

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined 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 bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(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 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.

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 translation reserve (attributed to non-controlling 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 translation reserve.

(l) Revenue Recognition

Revenues from sales of properties are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Target Group's performance

– provides benefits which are received and consumed simultaneously by the purchaser; or

– creates and enhances an asset that the purchaser controls as the Target Group performs; or

– does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Target Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Target Group's performance in satisfying the performance obligation.

In determining the transaction price, the Target Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Target Group has present right to payment and the collection of the consideration is probable.

The Target Group assessed that its property sales contracts entered into during the Track Record Period do not meet the criteria for recognising revenue over time and therefore revenue from property sales is to be recognised at a point in time.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in current liabilities as contract liabilities.

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 recognised on a time-proportion basis using the effective interest method.

(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 periods, the Target Group reviews the carrying amounts of property, plant and equipment 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.

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) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) 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 non-occurrence 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.

(q) Share capital

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

(r) 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.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the combined 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.

(i) Impairment of receivables

The Target Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Target Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward-looking estimates at each reporting date. The Target Group's management reassesses the impairment of receivables at each reporting date. Where the expectation is different from the original estimate, 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) Net realisable value of properties under development

Include in the combined statements of financial position at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 are properties under development with an aggregate carrying amount of approximately RMB909,748,000, RMB1,238,037,000, RMB1,346,004,000 and RMB1,386,698,000, 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.

(iv) Acquisition-date fair value of the identifiable assets of 景寧外舍古鎮旅遊投資發展有限公司 (Jingning Outdoor Residence Tour Investment Development Company Limited*) ("Residence Tour")

As disclosed in note 26, the acquisition of the 51% equity interest of Residence Tour was completed on 23 April 2015. The acquisition is accounted for using acquisition method pursuant to which the identifiable assets and liabilities of Residence Tour 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 Residence Tour, with reference to valuation conducted by external valuation specialists. Determining the fair value of the properties of Residence Tour 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 properties development 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 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**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	10	80	12	12	2
Others	–	–	30	–	24
	10	80	42	12	26

7. Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest charges on financial liabilities stated at amortised cost:					
Bank borrowings	12,705	29,484	43,361	32,347	31,614
Less: amount capitalised in properties under development	(9,455)	(29,484)	(43,361)	(32,347)	(31,614)
	3,250	–	–	–	–

8. Profit/(loss) before income tax

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

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee costs:					
Salaries and other benefits	814	516	261	227	111
Pension scheme contributions	102	10	10	7	9
Total employee costs	916	526	271	234	120
Depreciation of property, plant and equipment	9	15	10	8	6

9. 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.

10. Income tax expense

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. No provision for EIT has been made as the subsidiaries of the Target Company does not generate any assessable profits 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, the Target Group is not subject to any taxation under the jurisdiction during the Track Record Period.

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

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before income tax	5,639	(1,341)	(1,508)	(1,316)	(731)
Tax calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	1,410	(335)	(377)	(329)	(183)
Tax effect of non-deductible expenses	2,515	193	198	154	145
Tax effect of non-taxable income	(4,521)	(20)	(3)	(3)	–
Tax effect of tax loss not recognised	596	162	182	178	38
Income tax expense	–	–	–	–	–

11. Dividend

No dividend has been paid or declared by the Target Company during the Track Record Period.

12. Property, plant and equipment

	Motor vehicles	**Office equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2015	–	–	–
Acquired through business combination *(note 26)*	–	15	15
Additions	783	240	1,023
Disposal of a subsidiary *(note 27)*	(783)	(218)	(1,001)
At 31 December 2015 and 1 January 2016	–	37	37
Addition	–	1	1
At 31 December 2016 and 31 December 2017 and 30 September 2018	–	38	38
Accumulated depreciation:			
At 1 January 2015	–	–	–
Charged for the year	–	(9)	(9)
Disposal of a subsidiary *(note 27)*	–	2	2
At 31 December 2015 and 1 January 2016	–	(7)	(7)
Charged for the year	–	(15)	(15)
At 31 December 2016 and 1 January 2017	–	(22)	(22)
Charged for the year	–	(10)	(10)
At 31 December 2017 and 1 January 2018	–	(32)	(32)
Charged for the period	–	(6)	(6)
At 30 September 2018	–	(38)	(38)
Net carrying amount:			
At 31 December 2015	–	30	30
At 31 December 2016	–	16	16
At 31 December 2017	–	6	6
At 30 September 2018	–	–	–

13. Investment in a subsidiary

Target Company

	Year ended 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	–	–	–

As at the date of this report, the Target Company has direct or indirect interests in 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
Bai Rong Development Limited^	Hong Kong 15 October 2018	Investment holding	HKD10,000	100%	–
Xiamen Wen Ding Business Consulting Company Limited ("**Xiamen Wen Ding**")^* 廈門市問鼎商務諮詢有限公司	PRC 16 October 2018	Investment holding	RMB10,000,000	–	100%
Residence Tour^* 景寧外舍古鎮旅遊投資發展有限公司	PRC 21 November 2013	Property development	RMB100,001,300	–	100% (notes 26 and 28)
Jingning Outdoor Kaizhen Property Development Limited ("**Outdoor Kaizhen**")^* 景寧外舍凱震房地產開發有限公司	PRC 16 January 2015	Dormant	RMB5,000,000	–	100% (notes 26 and 28)

^ These subsidiaries were transferred to the Target Company/incorporated subsequent to the Track Record Period but they were deemed to be within the Target Group since the beginning of the Track Record Period/first came under the control of Mr. Hong.

* The English names are for identification only.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. 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.

14. Properties under development

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

As at 31 December 2015, 2016 and 2017 and 30 September 2018, properties under development amounted to approximately RMB nil, RMB nil, RMB nil and RMB1,386,698,000 are expected to be recovered within 12 months.

As at 31 December 2015, 2016 and 2017 and 30 September 2018, certain properties under development with aggregate carrying value of approximately RMB588,954,000, RMB992,489,000, RMB1,078,097,000 and RMB1,110,356,000 were pledged against bank borrowings of the Target Group (note 20).

15. Deposits, prepayments and other receivables

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,061	520	450	2,404
Deposits and other receivables	6,315	1,756	6	6
Other tax prepaid	–	–	120	120
	7,376	2,276	576	2,530

16. Cash and bank balances

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	492	406	35	11
Cash at banks	85	37,209	288	417
Cash and bank balances	577	37,615	323	428
Less:				
Deposits restricted for construction work	–	(36,716)	(23)	(22)
Cash and cash equivalents for the purpose of the combined statements of cash flows	577	899	300	406

Cash at banks earns interest at floating rates based on daily bank deposit rates.

17. Trade payables

The ageing 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
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	38,613	34,676	918	800
31 to 90 days	1,264	18,378	2,875	1,198
91 to 180 days	675	–	2,276	599
181 to 365 days	2,074	–	50,325	3,714
Over 365 days	5,786	167	–	49,601
	48,412	53,221	56,394	55,912

18. Accruals and other payables

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	45	141	44	22
Other payables	333,875	393,313	316,835	1,483
Other tax payables	1,510	2,206	2,902	3,424
	335,430	395,660	319,781	4,929

19. Amount(s) due from/(to) non-controlling equity holder of subsidiaries/related companies/a director

Target Group

(i) Amount due from non-controlling equity holder of subsidiaries

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

(ii) Amounts due from/(to) related companies

The amounts were unsecured and interest-free. Except for the amount due to 龍之族控股有限公司 (Dragon Holdings Company Limited*) ("**Dragon Holdings**") as at 30 September 2018 which is repayable on 30 September 2019, the amounts were repayable on demand.

Name of related parties	Relationship	As at 31 December			As at 30 September
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dragon Holdings	A company controlled by the spouse of the shareholder of the Target Company	57,264	28,994	(2,816)	(334,872)
Jingning Differ Real Estate Limited* ("**Jingning Differ**") 景寧鼎豐置業有限公司	A company controlled by the spouse of the shareholder of the Target Company	66,467	56,467	(1,422)	–
		123,731	85,461	(4,238)	(334,872)

* The English names are for identification only.

(iii) Amount(s) due to non-controlling equity holder of subsidiaries/a director

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

Target Company

(i) Amount due to a director

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

20. Bank borrowings

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank borrowings – secured	–	12,706	72,702	92,861
Non-current				
Bank borrowings – secured	450,000	688,249	635,547	587,091
	450,000	700,955	708,249	679,952

	As at 31 December			As at 30 September
	2015	2016	2017	2018
Interests borne at rates per annum in the range of:				
– fixed-rate bank borrowing	–	6.0%	6.0%	6.0%
– floating-rate bank borrowing	5.7%	5.4%	5.4%	5.4%

The Target Group's bank borrowings are repayable as follows:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	12,706	72,702	92,861
In the second year	15,000	72,702	102,948	123,257
In the third to fifth year	185,000	415,645	417,599	303,834
More than five years	250,000	199,902	115,000	160,000
	450,000	700,955	708,249	679,952

At 31 December 2015, 2016, 2017 and 30 September 2018, the bank borrowings were:

(i) secured by the Target Group's properties under development of RMB588,954,000, RMB992,489,000, RMB1,078,097,000 and RMB1,110,356,000 respectively (note 14); and

(ii) guaranteed by related companies, Mr. Hong, Ms. Shi and independent third parties.

21. Deferred tax liabilities

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

	Fair value adjustment on properties under development arising from acquisition of a subsidiary *RMB'000*
At 1 January 2015	–
Acquired through business combination *(note 26)*	12,415
Disposal of a subsidiary *(note 27)*	(11,427)
At 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018	988

The Target Group has estimated unutilised tax losses of approximately RMB2,384,000, RMB3,032,000, RMB3,760,000, RMB3,912,000 available for offset against future profits at 31 December 2015, 2016 and 2017 and 30 September 2018 (nine months ended 30 September 2017 (unaudited): RMB3,744,000) 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.

22. Share capital

The Target Company was incorporated on 22 July 2011 in the BVI with an authorised share capital of U.S. Dollar ("**USD**") 50,000 divided into 50,000 share of USD1 each of which 1 share was allotted and issued at par value.

23. Reserves

Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity on pages II-8 to II-9 of this report.

(a) Merger reserve

The merger reserve of the Target Group represents the capital contribution by the ultimate controlling shareholder.

(b) Other reserve

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

Target Company

	Accumulated losses *RMB'000*
At 1 January 2015	(17)
Loss and total comprehensive income for year ended 31 December 2015	(5)
At 31 December 2015 and 1 January 2016	(22)
Loss and total comprehensive income for year ended 31 December 2016	(6)
At 31 December 2016 and 1 January 2017	(28)
Loss and total comprehensive income for year ended 31 December 2017	(8)
At 31 December 2017 and 1 January 2018	(36)
Loss and total comprehensive income for nine months ended 30 September 2018	(8)
At 30 September 2018	(44)

24. Other Commitments

Significant other commitments are as follows:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Properties under development	432,820	143,746	81,532	79,359

25. 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 Company 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 and bank borrowings. 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.

(a) Exposure

The interest rate profile of the Target Group's significant interest-bearing financial instruments at variable rate, based on carrying amounts as at each of the reporting dates were as follows:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate instruments				
Financial liabilities				
Bank borrowing	450,000	460,000	465,000	450,000

(b) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for the variable rate bank borrowing. The analysis is prepared assuming the variable rate bank borrowing outstanding at the each of the reporting dates were outstanding for the whole year. A 0.5% increase or decrease represents the assessment of the director of the Target Company on the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowing of the Target Group increase or decrease by 0.5% and all other variables held constant, finance costs would increase or decrease by approximately RMB2,250,000, RMB2,300,000, RMB2,325,000 and RMB2,250,000 for the years ended 31 December 2015, 2016 and 2017 and nine months ended 30 September 2018 respectively. Since the Target Group's finance costs had been capitalised in construction in progress included in properties under development, there would be no effect on the Target Group's post-tax results for the Track Record Period.

(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. Target Group's exposure to credit risk mainly arises from amounts due from related companies and non-controlling equity holder of subsidiaries, deposits and other receivables and cash and bank balances.

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 balances 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 2015						
Trade payables	48,412	48,412	48,412	–	–	–
Accruals and other payables	333,920	333,920	333,920	–	–	–
Amount due to a director	22	22	22	–	–	–
Bank borrowings	450,000	586,568	24,698	38,986	245,703	277,181
	832,354	968,922	407,052	38,986	245,703	277,181

	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	53,221	53,221	53,221	–	–	–
Accruals and other payables	393,454	393,454	393,454	–	–	–
Amounts due to non-controlling equity holder of subsidiaries	1,000	1,000	1,000	–	–	–
Amount due to a director	28	28	28	–	–	–
Bank borrowings	700,955	883,838	54,727	113,554	498,839	216,718
	1,148,658	1,331,541	502,430	113,554	498,839	216,718

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
At 31 December 2017						
Trade payables	56,394	56,394	56,394	–	–	–
Accruals and other payables	316,879	316,879	316,879	–	–	–
Amounts due to related companies	4,238	4,238	4,238	–	–	–
Amounts due to non-controlling equity holder of subsidiaries	1,000	1,000	1,000	–	–	–
Amount due to a director	36	36	36	–	–	–
Bank borrowings	708,249	856,219	114,646	139,760	477,794	124,019
	1,086,796	1,234,766	493,193	139,760	477,794	124,019

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
At 30 September 2018						
Trade payables	55,912	55,912	55,912	–	–	–
Accruals and other payables	1,505	1,505	1,505	–	–	–
Amounts due to related companies	334,872	334,872	334,872	–	–	–
Amount due to a director	44	44	44	–	–	–
Bank borrowings	679,952	796,216	131,130	154,987	346,819	163,280
	1,072,285	1,188,549	523,463	154,987	346,819	163,280

Target Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2015			
Amount due to a director	22	22	22

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2016			
Amount due to a director	28	28	28

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Amount due to a director	36	36	36

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
At 30 September 2018			
Amount due to a director	44	44	44

(v) Financial instruments by category

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

Target Group

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised costs:				
Deposits and other receivables	6,315	1,756	6	6
Amounts due from related companies	123,731	85,461	–	–
Amounts due from non-controlling equity holder of subsidiaries	985	–	–	–
Cash and bank balances	577	37,615	323	428
	131,608	124,832	329	434

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 September 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised costs:				
Trade payables	48,412	53,221	56,394	55,912
Accruals and other payables	333,920	393,454	316,879	1,505
Amounts due to non-controlling equity holder of subsidiaries	–	1,000	1,000	–
Amount due to a director	22	28	36	44
Amounts due to related companies	–	–	4,238	334,872
Bank borrowings	450,000	700,955	708,249	679,952
	832,354	1,148,658	1,086,796	1,072,285

Target Company

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 September 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liability				
At amortised costs:				
Amount due to a director	22	28	36	44

(vi) Capital management

The Target Group's capital management objectives include:

(i) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Target Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Target Group consists of net debts, which include the bank borrowings, net of cash and bank balances. Total equity comprising issued share capital and various reserves.

The director reviews the capital structure regularly. As part of this review, the director considers the cost of capital and the risks associated the share capital. The Target Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

The net debts-to-equity ratios were as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	450,000	700,955	708,249	679,952
Less: Cash and bank balances	(577)	(37,615)	(323)	(428)
Net debts	449,423	663,340	707,926	679,524
Total equity	122,995	121,653	120,146	119,414
Net debts to equity ratio	3.7	5.5	5.9	5.7

26. Acquisition of subsidiaries

The acquisition of 51% equity interests in Residence Tour at a cash consideration of RMB51,001,000 was completed on 23 April 2015.

The fair value of identifiable assets and liabilities of Residence Tour and its subsidiary, as at the acquisition date were:

	RMB'000
Property, plant and equipment	15
Properties under development	632,000
Prepayments, deposits and other receivables	15,826
Cash and bank balances	287
Trade payables	(26,931)
Accruals and other payables	(262,826)
Contract liabilities	(80,000)
Bank borrowings	(130,000)
Deferred tax liabilities	(12,415)
	135,956
Non-controlling interest	(66,873)
Net assets attributed to the Target Group acquired	69,083

Cash consideration of RMB51,001,000 was contributed by Mr. Hong. Net cash inflow arising from the acquisition was calculated as follows:

	RMB'000
Cash and bank balances acquired	287

Upon the completion of acquisition, Residence Tour became a subsidiary of the Target Group. The excess of fair value of the net assets attributed to the Target Group acquired over the fair value of consideration is accounted for as gain on bargain purchase and is calculated as below:

	RMB'000
Fair value of total consideration transferred	51,001
Net assets attributed to the Target Group acquired	(69,083)
Gain on bargain purchase arising from acquisition of subsidiaries	(18,082)

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

Since its acquisition, Residence Tour contributed no revenue and net loss of approximately RMB6,603,000 to the Target Group for the period from 24 April 2015 to 31 December 2015.

Had the combination been taken place on 1 January 2015, the Target Group would have no revenue and net loss of RMB7,360,000 for the year ended 31 December 2015 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 2015, nor are they intended to be a projection of future results.

27. Disposal of a subsidiary

On 7 December 2015, the Target Group entered into a sale and purchase agreement with an independent third party and a related party to dispose of 49% and 51% equity share of Jingning Differ at cash considerations of RMB490,000 and RMB510,000 respectively. Jingning Differ is principally engaged in property development business in the PRC. The disposal was completed on 7 December 2015 and the Target Group recognised a loss on disposal of a subsidiary of approximately RMB5,836,000.

The net assets of the Jingning Differ at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	999
Properties under development	152,832
Prepayments, deposits and other receivables	719
Amounts due from related companies	1,962
Cash and bank balances	311
Accruals and other payables	(195)
Amount due to a related company	(131,365)
Amount due to a director	(7,000)
Deferred tax liabilities	(11,427)
	6,836
Cash consideration	(1,000)
Loss on disposal of a subsidiary	5,836
Net cash inflow from disposal of a subsidiary:	
– Cash consideration	1,000
– Cash and bank balances disposed of	(311)
	689

28. Additional interests in subsidiaries

(a) On 9 October 2015, the Target Group entered into a sale and purchase agreement with a non-controlling equity holder to further acquire of 10% equity share of Outdoor Kaizhen at a consideration of RMB500,000. The Target Group's effective interest in the Outdoor Kaizhen was changed from 46% to 51% and no gain or loss was arisen from changes in ownership interests.

(b) On 26 September 2018, the Target Group entered into a sale and purchase agreement with a non-controlling equity holder to further acquire of 48% equity share of Residence Tour at a consideration of RMB48,000,000. On the same date, the Target Group further acquired 1% equity share of Residence Tour via Mr. Hong Weihua, an independent third party, through a trust arrangement at a consideration of RMB1,000,000. The Target Group's effective interest in the Residence Tour was changed from 51% to 100% and a gain arising from changes in ownership interests of approximately RMB9,535,000 was credited to other reserve.

29. Subsidiaries with material non-controlling interest

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

	Residence Tour			
	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(note 28(b))
Percentage of equity interest held by non-controlling interest	**49%**	**49%**	**49%**	**0%**
Current assets	1,042,417	1,363,389	1,348,663	–
Non-current assets	30	16	6	–
Current liabilities	(468,442)	(552,487)	(591,952)	–
Non-current liabilities	(450,988)	(689,237)	(636,535)	–
Net assets	123,017	121,681	120,182	–
Carrying amount of non-controlling interest	60,278	59,623	58,889	–

	Year ended 31 December			Nine months ended 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	49%	**49%**	**49%**	**0%** *(note 28(b))*
Revenue	–	–	–	–
Loss for the year/period	(12,439)	(1,336)	(1,498)	(724)
Total comprehensive income for the year/period	(12,439)	(1,336)	(1,498)	(724)
Loss allocated to non-controlling interest	(6,095)	(655)	(734)	(354)
Cash flow used in operating activities	(318,006)	(271,486)	(54,248)	(10,141)
Cash flow generated from investing activities	4,425	39,334	85,473	2
Cash flow generated from/(used in) financing activities	313,871	232,474	(31,824)	10,245
Net cash inflow/(outflow)	290	322	(599)	106

30. Related party transactions

Same 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	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Guarantee service fee *(note)*	–	–	–	–	5,414

Note: On 19 January 2018, the Target Group entered into a guarantee service agreement with Jingning Differ, a related company which is controlled by the spouse of the shareholder of the Target Company. Pursuant to the guarantee service agreement, Jingning Differ would provide guarantee service to the Target Group with maximum guarantee amount of RMB250,000,000 with service fee rate at 3.1% per annum of the guarantee amount for the period from 19 January 2018 to 30 September 2022.

(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 9.

31. Notes supporting combined statements of cash flows

(a) Significant non-cash transaction are as follows:

Financing activity

During the nine months ended 30 September 2018, other payables of approximately RMB259,386,000 was assigned to the amount due to a related company, Dragon Holdings.

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings	Interest payable	Amount due to related companies	Amount due to a non-controlling equity holder of subsidiaries	Amount due to a director
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	**–**	**–**	**–**	**–**	**17**
Financing cash flows:					
Proceeds from bank borrowings	450,000	–	–	–	–
Repayment of bank borrowings	(130,000)	–	–	–	–
Interest paid	–	(13,114)	–	–	–
Repayment to a non-controlling equity holder of subsidiaries	–	–	–	(15)	–
Advance from a director	–	–	–	–	7,004
	320,000	(13,114)	–	(15)	7,004
Exchange difference	–	–	–	–	1
Other changes:					
Acquisition of subsidiaries	130,000	1,150	–	15	–
Disposal of a subsidiary	–	–	–	–	(7,000)
Interest expenses	–	3,250	–	–	–
Borrowing costs capitalised	–	9,455	–	–	–
At 31 December 2015	**450,000**	**741**	**–**	**–**	**22**

	Bank borrowings RMB'000	Interest payable RMB'000	Amount due to related companies RMB'000	Amount due to a non-controlling equity holder of subsidiaries RMB'000	Amount due to a director RMB'000
At 1 January 2016	**450,000**	**741**	**–**	**–**	**22**
Financing cash flows:					
Proceeds from bank borrowings	260,000	–	–	–	–
Interest paid	–	(28,526)	–	–	–
Advance from a non-controlling equity holder of subsidiaries	–	–	–	1,000	–
Advance from a director	–	–	–	–	5
	260,000	(28,526)	–	1,000	5
Exchange difference	–	–	–	–	1
Other changes:	–	–	–	–	–
Transaction cost	(9,045)	(955)	–	–	–
Borrowing costs capitalised	–	29,484	–	–	–
At 31 December 2016 and 1 January 2017	**700,955**	**744**	**–**	**1,000**	**28**
Financing cash flows:					
Proceeds from bank borrowings	20,000	–	–	–	–
Repayment of bank borrowings	(15,000)	–	–	–	–
Interest paid	–	(41,062)	–	–	–
Advance from related companies	–	–	4,238	–	–
Advance from a director	–	–	–	–	9
	5,000	(41,062)	4,238	–	9
Exchange difference	–	–	–	–	(1)
Other changes:	–	–	–	–	–
Transaction cost	2,294	(2,294)	–	–	–
Borrowing costs capitalised	–	43,361	–	–	–
At 31 December 2017	**708,249**	**749**	**4,238**	**1,000**	**36**

	Bank borrowings *RMB'000*	Interest payable *RMB'000*	Amount due to related companies *RMB'000*	Amount due to a non-controlling equity holder of subsidiaries *RMB'000*	Amount due to a director *RMB'000*
At 1 January 2017	**700,955**	**744**	**–**	**1,000**	**28**
Financing cash flows:					
Proceeds from bank borrowings	20,000	–	–	–	–
Repayment of bank borrowings	–	–	–	–	–
Interest paid	–	(30,732)	–	–	–
Advance from related companies	–	–	–	–	–
Advance from a director	–	–	–	–	8
	20,000	(30,732)	–	–	8
Exchange difference	–	–	–	–	(1)
Other changes:	–	–	–	–	–
Transaction cost	1,655	(1,655)	–	–	–
Borrowing costs capitalised	–	32,347	–	–	–
At 30 September 2017 (unaudited)	**722,610**	**704**	**–**	**1,000**	**35**
At 1 January 2018	**708,249**	**749**	**4,238**	**1,000**	**36**
Repayment of bank borrowings	(30,000)	–	–	–	–
Interest paid	–	(30,003)	–	–	–
Advance from related companies	–	–	71,248	–	–
Repayment to a non-controlling equity holder of subsidiaries	–	–	–	(1,000)	–
Advance from a director	–	–	–	–	7
	(30,000)	(30,003)	71,248	(1,000)	7
Exchange difference	–	–	–	–	1
Other changes:	–	–	–	–	–
Transaction cost	1,703	(1,703)	–	–	–
Borrowing costs capitalised	–	31,614	–	–	–
Non-cash transaction *(note 31(a))*	–	–	259,386	–	–
At 30 September 2018	**679,952**	**657**	**334,872**	**–**	**44**

32. Contingent liabilities

In September 2018, a subsidiary of the Target Company received notice that it is being sued in respect of an accident in the construction site purported to have been suffered during his employment with the subsidiary of the Target Company. If the subsidiary of the Target Company is found to be liable, the total expected monetary compensation may amount to approximately RMB1,592,000. The subsidiary of the Target Company continues to deny any liability in respect of the accident and, based on legal advice, the director of the Target Company does not believe it is probable that the court will fine against the subsidiary of the Target Company. No provision has therefore been made in respect of this claim.

33. Subsequent event

(i) Subsequent to 30 September 2018 and up to the date of this report, the following significant events have taken place:

The companies now comprising the Target Group underwent and completed the reorganisation as follow:

(a) Bai Rong Development Limited, a wholly owned subsidiary of the Target Company, was established on 15 October 2018.

(b) Xiamen Wen Ding was established on 16 October 2018.

(c) On 18 October 2018, Dragon Holdings, a company controlled by the spouse of the shareholder of the Target Company, transferred 100% equity interest of Residence Tour to Xiamen Wen Ding.

(d) On 23 October 2018, Bai Rong Development Limited acquired 100% equity interest of Xiamen Wen Ding from Mr. Hong and Ms. Shi.

(ii) Xiamen Wen Ding, as a purchaser, Dragon Holdings and Mr. Hong Weihua, together as vendors, entered into a share transfer agreement on 18 October 2018 and further entered into a supplemental agreement on 19 October 2018 (together as "**Former Transfer Agreement**"). Pursuant to the Former Transfer Agreement, Xiamen Wen Ding agreed to pay the consideration of RMB100,001,300 (the "**Consideration**") to acquire the entire equity interests of Residence Tour from the vendors. The Consideration shall be paid to the vendors within 1 year from 19 October 2018 (i.e. on or before 18 October 2019) and is treated as deemed distribution.

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2018 and up to the date of this report.

(A) BACKGROUND

Set out below is the management discussion and analysis of the Target Company, the PRC Subsidiary B and the PRC Subsidiary C for the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2017 and 2018 (the "**Relevant Periods**"). As at the Latest Practicable Date, the Target Group comprised the Target Company, HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C. The HK Subsidiary and the PRC Subsidiary A have only been incorporated and established after the Relevant Periods. Due to the short operation history of the HK Subsidiary and the PRC Subsidiary A, the financial performances of the said companies are insignificant. The following financial information is based on the financial information of the Target Group as set out in Appendix II to this Circular.

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

(1) General information

The Target Company is a company incorporated in the BVI with limited liability, and is engaged in investment holding. The principal activities of HK Subsidiary and PRC Subsidiary A are also engaged in investment holdings. The major assets of the Target Group is the PRC Subsidiary B, it is engaged in property development business which currently owns a property development named Phoenix Ancient Town (鳳凰古鎮). The principal business of the Subsidiary C is provision of property management and car parks management.

Phoenix Ancient Town (鳳凰古鎮) is located at the northern side of Renmin North Road and the eastern side of Waishe Road, Lishui, Zhejiang Province, the PRC. Phoenix Ancient Town (鳳凰古鎮) is a commercial cultural development with total site area of approximately 173,933.62 sq.m. and is under construction. As further advised by the Vendor, currently the major part of the development project has been completed, including the waterproof construction and greening work at the ground levels. Upon completion of its construction, which is expected to be by the end of the second quarter of 2019, Phoenix Ancient Town (鳳凰古鎮) will comprise a total planned gross floor area of approximately 311,585.3 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**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	–	–	–	–
Profit/(Loss) for the year/period	5,639	(1,341)	(1,508)	(1,316)	(731)

(a) Revenue

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

(b) Profit/(Loss) for the year/period

For the financial years ended 31 December 2015, 2016 and 2017, the Target Group generated a net profit of approximately RMB5,639,000, a net loss of approximately RMB1,341,000 and RMB1,508,000 respectively. For the nine months ended 30 September 2018, the Target Group recorded a loss of approximately RMB731,000.

For the financial year ended 31 December 2016, the significant change from a net profit of approximately RMB5,639,000 for the year 2015 to a net loss of approximately RMB1,341,000 for the year 2016 was mainly due to gain on bargain purchase arising from acquisition of subsidiaries of approximately RMB18,082,000 for the year 2015, which partly offset by the effect of the loss on disposal of a subsidiary of approximately RMB5,836,000 and finance costs of approximately RMB3,250,000 incurred in the same year.

For the financial year ended 31 December 2017, the amount of net loss was increased from approximately RMB1,341,000 for the year 2016 to approximately RMB1,508,000 for the year 2017. It was mainly due to the increase in administrative and other expenses from approximately RMB1,350,000 for the year 2016 to approximately RMB1,471,000 for the year 2017.

For the nine months period ended 30 September 2018, the decrease in net loss from approximately RMB1,316,000 for the nine months period ended 30 September 2017 to RMB731,000 for the nine months period ended 30 September 2018 was mainly due to the decrease of administrative and other expenses of approximately RMB528,000.

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
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	30	16	6	–
Current assets	1,042,417	1,363,389	1,348,663	1,391,416
Total assets	**1,042,447**	**1,363,405**	**1,348,669**	**1,391,416**
Non-current liabilities	450,988	689,237	636,535	588,079
Current liabilities	468,464	552,515	591,988	683,923
Total liabilities	**919,452**	**1,241,752**	**1,228,523**	**1,272,002**
Net assets	**122,995**	**121,653**	**120,146**	**119,414**

As stated above, the total assets of the Target Group as at 31 December 2016 was amounted to approximately RMB1,363,405,000, it recorded an increase of approximately RMB320,958,000, representing approximately 30.8% 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 RMB16,000 and (ii) current assets amounted to approximately RMB1,363,389,000. 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 properties held under development of approximately RMB328,289,000. As at 31 December 2016, the construction work of Phoenix Ancient Town (鳳凰古鎮) was in progress and the relevant construction cost and other related costs were allocated to the properties under development. On the other hand, the total liabilities of the Target Group as at 31 December 2016 was amounted to approximately RMB1,241,752,000. It recorded an increase of approximately RMB322,300,000 or 35.1% 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 bank borrowings from approximately RMB450,000,000 to approximately RMB700,955,000.

The total assets of the Target Group as at 31 December 2017 was amounted to approximately RMB1,348,669,000, it recorded a decrease of approximately RMB14,736,000, representing approximately 1.1% when compare to the total asset value of the corresponding period. The total assets of the Target Group as at 31 December 2017 is an aggregate sum of

(i) non-current assets amounted to approximately RMB6,000 and (ii) current assets amounted to approximately RMB1,348,663,000. The decrease in total assets of the Target Group as at 31 December 2017 as compared to that of 31 December 2016 was mainly attributable to the decrease of amount due from related companies of approximately RMB85,461,000 and decrease of cash and bank balances of approximately RMB37,292,000; and partly offset by the effect of the increase of the properties held under development of approximately RMB107,967,000. On the other hand, the total liabilities of the Target Group as at 31 December 2017 was amounted to approximately RMB1,228,523,000. It recorded a decrease of approximately RMB13,229,000 or 1.1% when compare to the total liabilities value of the corresponding period. The decrease in total liabilities of the Target Group as at 31 December 2017 as compared to that of 31 December 2016 was mainly attributable to the decrease of accruals, other payables and contract liabilities from approximately RMB485,560,000 to approximately RMB457,618,000.

As at 30 September 2018, the total assets of the Target Group was amounted to approximately RMB1,391,416,000 and recorded an increase of approximately RMB42,747,000 or 3.2% when compare to the total asset value of the year ended 31 December 2018. The total assets of the Target Group as at 30 September 2018 comprised only the current assets. The increase in total assets of the Target Group as at 30 September 2018 when compare to the total asset value of the year ended 31 December 2017 was mainly attributable to the increase of property under development of approximately RMB40,694,000 from approximately RMB1,346,004,000 to RMB1,386,698,000. Regarding the total liabilities of the Target Group as at 30 September 2018, it was amounted to approximately RMB1,272,002,000, representing an increase by approximately RMB43,479,000 or 3.5% when compared to that as at 31 December 2017. It is noted that such increase was mainly due to the increase in current liabilities as a result of the increase in contract liabilities of Phoenix Ancient Town (鳳凰古鎮) from approximately RMB137,837,000 to approximately RMB195,305,000; and partly offset by the effect of decrease of bank borrowings of approximately RMB28,297,000.

(3) Segment information

The Target Group has only one operating and reportable segment during the financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2017 and 2018.

(4) Contingent liabilities

In September 2018, PRC Subsidiary B received notice that it is being sued in respect of an accident in the construction site purported to have been suffered during his employment with PRC Subsidiary B. If PRC Subsidiary B is found to be liable, the total expected monetary compensation may amount to approximately RMB1,592,000. PRC Subsidiary B continues to deny any liability in respect of the accident and, based on legal advice, the director of the Target Company does not believe it probable that the court will find against the subsidiary. No provision has therefore been made in respect of this claim.

(5) Charge on assets

As at 31 December 2015, 2016, 2017 and 30 September 2018, certain properties held under development with aggregate carrying value of approximately RMB588,954,000, RMB992,489,000, RMB1,078,097,000 and RMB1,110,356,000 were pledged against bank borrowings of the Target Group.

(6) Capital commitment

As at 31 December 2015, 2016, 2017 and 30 September 2018, the Target Group had capital commitments, which were contracted but not provided for, in respect of the property under development of RMB432,820,000, RMB143,746,000, RMB81,532,000 and RMB79,359,000 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 tis operations.

(8) Employees and remuneration policies

As at 31 December 2015, 2016 and 2017 and 30 September 2018, the Target Group had a total of 16, 19, 9 and 10 employees respectively. The staff costs (included Directors' emoluments) were approximately RMB916,000, RMB526,000, RMB271,000 and RMB120,000 for the year ended 31 December 2015, 2016 and 2017 and nine months ended 30 September 2018. 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 26 and 27 to the Accountants' report as set out in Appendix II to the circular, there has no other material acquisition or disposal of subsidiaries and affiliated companies during the three years ended 31 December 2017 and nine months ended 30 September 2018.

(11) Liquidity and capital resources

During the three years ended 31 December 2015, 2016 and 2017 and nine months ended 30 September 2018, the Target Group principally finance its business through capital contribution and loans from shareholders, receipt in advances of Phoenix Ancient Town (鳳凰古鎮) and the bank borrowings.

(12) Financial prospect of the Enlarged Group

As an integrated financing service provider in the PRC and Hong Kong, the Group is principally engaged in the provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

As mentioned in the interim report for 2018, the Group considers the assets management business is the key growth driver of the Group and actively expanded the business. The Directors consider that the Acquisition will enable the Group to expand of property development business which is strategically important to the Group's long-term prospects as well as the broadening of its revenue base. Having taken into account of the market price of comparable lands and properties and prevailing market conditions as well as the location and the development potential of the projects, the Board is of the view that the terms of the Acquisition are better than normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Information**") has been prepared by the Directors in accordance with rule 14.29 of the Listing Rules, for illustrative purpose only, to provide information about how the Acquisition might have affected the financial performance, financial position and cash flows of the Group as if the proposed Acquisition had been completed on (i) 1 January 2017 in respect of the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 June 2018 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position 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 2018 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2018 which have been published on the website of the Stock Exchange and the website of the Company, and the audited combined statement of financial position of the Target Group as at 30 September 2018 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 2018.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group as at 31 December 2017 extracted from the published annual report of the Group for the year ended 31 December 2017 which have been published on the website of the Stock Exchange and the website of the Company, and the audited combined statement of comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2017 as extracted from the accountants' report as set out in Appendix II to this Circular as if the Acquisition had been completed on 1 January 2017.

As, Mr. Hong, the chairman, the executive director and the substantial shareholder of the Company, controls the Group, and the Target Group via Ms. Shi Hongjiao, the vendor of the Target Company and the spouse of Mr. Hong, 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 Information 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 Information 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 Information may not give a true picture of (i) the consolidated statement of financial position as at 30 June 2018 had the Acquisition been completed as of 30 June 2018, and (ii) the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2017 had the Acquisition been completed as at 1 January 2017; or at any future dates.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

			Pro forma adjustments						
	The Group as at 30 June 2018	The Target Group as at 30 September 2018	Transaction costs related to the Acquisition	Elimination of accounts within the Enlarged Group	Reclassification of accounts	Adjustments on properties under development and deferred tax liabilities	Deemed distribution	Consideration for the Acquisition	The Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*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*	*Note 8*	
ASSETS AND LIABILITIES									
Non-current assets									
Property, plant and equipment	19,347	–							19,347
Investment properties	536,800	–							536,800
Interests in associates	27,162	–							27,162
Finance lease, loan and account receivables	310,524	–							310,524
Prepayments, deposits and other receivables	83,630	–							83,630
Goodwill	33,400	–							33,400
Financial assets at fair value through profit or loss	72,758	–							72,758
Financial assets at fair value through other comprehensive income	116,000	–							116,000
	1,199,621	–							1,199,621
Current assets									
Financial assets at fair value through profit or loss	46,999	–							46,999
Properties under development	635,101	1,386,698		(5,414)		17,642			2,034,027
Finance lease, loan and account receivables	926,342	–							926,342
Prepayments, deposits and other receivables	375,085	2,530							377,615
Tax prepaid	–	1,760							1,760
Restricted bank deposits	11,218	–							11,218
Cash and bank balances	155,811	428	(1,728)						154,511
	2,150,556	1,391,416							3,552,472

	The Group as at 30 June 2018	The Target Group as at 30 September 2018	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustments: Elimination of accounts within the Enlarged Group	Pro forma adjustments: Reclassification of accounts	Pro forma adjustments: Adjustments on properties under development and deferred tax liabilities	Pro forma adjustments: Deemed distribution	Pro forma adjustments: Consideration for the Acquisition	The Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*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*	*Note 8*	
Current liabilities									
Trade payables	228,104	55,912							284,016
Accruals, other payables, deposits received and deferred income	127,635	4,929							132,564
Contract liabilities	869,666	195,305							1,064,971
Amounts due to related parties	–	334,872			44		100,001		434,917
Amount due to a director	–	44			(44)				–
Provision for taxation	16,741	–							16,741
Bank and other borrowings	57,375	92,861							150,236
	1,299,521	683,923							2,083,445
Net current assets	851,035	707,493							1,469,027
Total assets less current liabilities	2,050,656	707,493							2,668,648
Non-current liabilities									
Deposits received and deferred income	82,158	–							82,158
Bank and other borrowings	33,263	587,091							620,354
Corporate bonds	232,388	–							232,388
Guaranteed notes	121,524								121,524
Deferred tax liabilities	106,129	988				11,427			118,544
	575,462	588,079							1,174,968
Net assets	1,475,194	119,414							1,493,680
EQUITY									
Share capital	9,716	–*						2,273	11,989
Reserves	1,365,193	119,414	(1,728)	(5,414)		6,215	(100,001)	(2,273)	1,381,406
	1,374,909	119,414							1,393,395
Non-controlling interests	100,285	–							100,285
Total equity	1,475,194	119,414							1,493,680

* The balance stated is less than RMB1,000.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group year ended 31 December 2017	**The Target Group year ended 31 December 2017**	**Pro forma adjustments Transaction costs related to the Acquisition**	**The Enlarged Group year ended 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
Income from financial related services	181,215	–		181,215
Income from assets management business	118,053	–		118,053
Other income	37,390	42		37,432
Gain on redemption of convertible bonds	8,770	–		8,770
Employee benefit expenses	(19,528)	–		(19,528)
Depreciation and amortisation expenses	(1,730)	–		(1,730)
Operating lease expenses	(2,450)	–		(2,450)
Equity–settled share–based payments	(8,335)	–		(8,335)
Selling expenses	–	(79)		(79)
Administrative and other expenses	(43,471)	(1,471)	(1,728)	(46,670)
Share of results of an associate	492	–		492
Change in fair value of derivative financial instruments	1,960	–		1,960
Finance costs	(56,337)	–		(56,337)
Profit/(loss) before income tax	216,029	(1,508)		212,793
Income tax expense	(45,187)	–		(45,187)
Profit/(loss) for the year	170,842	(1,508)		167,606
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
– Exchange differences on translating foreign operation	9,359	1		9,360
– Fair value gain on available–for–sale financial assets	3,300	–		3,300
	12,659	1		12,660
Total comprehensive income for the year	183,501	(1,507)		180,266

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group year ended 31 December 2017 *RMB'000* *Note 1*	The Target Group year ended 31 December 2017 *RMB'000* *Note 2*	Pro forma adjustments Transaction costs related to the Acquisition *RMB'000* *Note 3*	The Enlarged Group year ended 31 December 2017 *RMB'000*
Cash flows from operating activities				
Profit/(loss) before income tax	216,029	(1,508)	(1,728)	212,793
Adjustments for:				
Bank interest income	(995)	(12)		(1,007)
Interest expenses	56,337	–		56,337
Depreciation of property, plant and equipment	1,323	10		1,333
Amortisation of prepaid land lease	407	–		407
Share of results of an associate	(492)	–		(492)
Change in fair value of derivative financial instruments	(1,960)	–		(1,960)
Equity–settled share–based payment	8,335	–		8,335
Loss on disposal of property, plant and equipment	176	–		176
Gain on redemption of convertible bonds	(8,770)	–		(8,770)
Impairment loss on finance lease, loan and receivables	21,619	–		21,619
Reversal of impairment loss recognised on finance lease, loan and account receivables	(30,073)	–		(30,073)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions	(2,273)	–		(2,273)
Operating profit/(loss) before working capital changes	259,663	(1,510)		256,425
Increase in finance lease, loan and account receivables, net of deferred income	(113,431)	–		(113,431)
Increase in properties under development	–	(64,047)		(64,047)
(Increase)/decrease in prepayments, deposits and other receivables	(23,321)	1,700		(21,621)
Decrease in restricted bank deposits	95,102	36,693		131,795
Increase in trade payables	–	2,614		2,614
Decrease in accruals, other payables, deposits received and contract liabilities	(42,465)	(27,947)		(70,412)
Decrease in available–for–sale financial assets	5,280	–		5,280
Cash generated from/(used in) operations	180,828	(52,497)		126,603
Interest received	995	–		995
Income tax paid	(39,869)	(1,760)		(41,629)
Net cash from/(used in) operating activities	141,954	(54,257)		85,969

	The Group year ended 31 December 2017 *RMB'000* *Note 1*	The Target Group year ended 31 December 2017 *RMB'000* *Note 2*	Pro forma adjustments Transaction costs related to the Acquisition *RMB'000* *Note 3*	The Enlarged Group year ended 31 December 2017 *RMB'000*
Cash flows from investing activities				
Bank interest received	–	12		12
Purchase of property, plant and equipment	(4,685)	–		(4,685)
Proceeds from disposals of property, plant and equipment	751	–		751
Investment in unlisted available–for–sale equity securities	(76,920)	–		(76,920)
Repayment from related companies	–	85,461		85,461
Acquisition of additional interests in subsidiaries	(8,000)	–		(8,000)
Net cash (used in)/generated from investing activities	(88,854)	85,473		(3,381)
Cash flows from financing activities				
Proceeds from issue of corporate bonds	181,891	–		181,891
Redemption of convertible bonds	(205,621)	–		(205,621)
Proceeds from bank and other borrowings	196,219	20,000		216,219
Repayment of bank and other borrowings	(164,746)	(15,000)		(179,746)
Repayment of corporate bonds	(5,080)	–		(5,080)
Advance from related companies	–	4,238		4,238
Advance from a director	–	9		9
Interest paid	(43,105)	(41,062)		(84,167)
Net cash used in financing activities	(40,442)	(31,815)		(72,257)
Net increase/(decrease) in cash and cash equivalents	12,658	(599)		10,331
Cash and cash equivalents at beginning of the year	20,977	899		21,876
Effect of foreign exchange rates, net	(1,160)	–		(1,160)
Cash and cash equivalents at end of the year	32,475	300	(1,728)	31,047
Analysis of balances of cash and cash equivalents				
Cash and bank balances	32,475	300	(1,728)	31,047

Notes to unaudited pro forma financial information

(1) The amounts were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Company's published unaudited interim report for the six months ended 30 June 2018 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 included in the published annual report of the Group for the year ended 31 December 2017.

(2) The amounts were extracted from the combined statement of financial position of the Target Group as at 30 September 2018 and the combined statement of comprehensive income and the combined statement of cash flows of the Target Group for the year ended 31 December 2017 included in the accountants' report of the Target Group as set out in the Appendix II to this Circular.

(3) It represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK$1,964,000 (approximately equivalent to RMB1,728,000, based on the exchange rate of HK$1.00 to RMB0.88). This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

(4) It represents the elimination of the transactions between the Group and the Target Group.

Guarantee fees and consultancy fees charged to the Target Group by the Group of RMB5,414,000 which were capitalised in the properties under development of the Target Group were eliminated.

(5) It represents the reclassification of amount due to the Vendor (presented as a director of the Target Group but a related party of the Enlarged Group).

(6) It represents the adjustment on the properties under development to reflect its existing book values from the controlling party's perspective. The properties under development was acquired by the Target Group through a business combination on 23 April 2015 and the fair value of these properties under development were RMB149,000,000 at that date, with a fair value uplift of RMB45,710,000, by reference to the valuation report issued by Jones Lang LaSalle. The properties under development was then disposed of by the Target Group to a related party, which is also under common control of Mr. Hong, through a disposal of subsidiary (i.e. Jingning Differ) on 7 December 2015. The value of the properties under development was recorded as RMB131,358,000 for the disposal. Jingning Differ was the subsidiary of the Group as at 30 June 2018. To conform the combined entity's accounting policies and applied those policies to all periods presented, adjustment on the carrying amounts of properties under development of approximately RMB17,642,000 was made.

Relevant deferred tax liabilities of approximately RMB11,427,000, being the fair value uplift of the properties under development of RMB45,710,000 at the date of acquisition of the Target Group on 25 April 2015 at the income tax rates prevailing at that date, was adjusted.

(7) It represents the adjustment for the payable borne by the Target Group in relation to its reorganisation. Pursuant to the Former Transfer Agreement entered into among the Target Group, as purchaser, and Dragon Holdings and the Independent Third Party who hold on trust for Dragon Holdings, together as vendors, on 18 October 2018, the Target Group agreed to pay the consideration of RMB100,001,300 regarding the equity transfer for the Target Group's reorganisation. The payable to the vendors is due on 18 October 2019 and is treated as deemed distribution. Pro forma adjustment of RMB100,001,300 was made to illustrate the payable borne by the Enlarged Group upon the completion of the Acquisition.

(8) Pursuant to the Agreement, the Consideration of RMB499,972,000 shall be settled by issue and allotment of 1,033,000,000 Consideration Shares to the Vendor or her nominee.

The par value of the Consideration Shares is HK$0.0025 and the share capital of the Company will increase by approximately HK$2,583,000 (equivalent to approximately RMB2,273,000, based on the exchange rate of HK$1.00 to RMB0.88).

For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Consideration Shares is calculated based on the closing price of HK$0.63 per share of the Company as quoted on the Stock Exchange on 29 June 2018, which is HK$0.08 higher than the share issue price pursuant to the Agreement (i.e. HK$0.55), resulting the fair value of consideration to be adjusted by approximately HK$82,640,000 (equivalent to approximately RMB72,723,000, based on the exchange rate of HK$1.00 to RMB0.88). Consideration Shares at HK$0.63 per share with a total amount of approximately HK$650,790,000 will be recorded in the Group's consolidated financial statements (approximately equivalent to RMB572,695,000, based on the exchange rate of HK$1.00 to RMB0.88). The difference between the fair value of the Consideration Shares and the carrying amount of net assets of the Target Group will be recorded as merger reserve.

(9) 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 issued by the Hong Kong Institute of Certified Public Accountants. 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.

(10) 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 Financial Information.

(11) Other than the above adjustments, no other adjustment had been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group and the Target Group entered into subsequent to 31 December 2017.

(C) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE 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**") 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 financial position as at 30 June 2018, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and related notes as set out on pages IV-1 to IV-8 of Appendix IV of the Company's circular dated 31 December 2018 (the "**Circular**"), in connection with the proposed acquisition of the entire equity interest of Prime Thrive Investments Limited (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 Appendix IV 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 Group's financial position as at 30 June 2018 as if the Proposed Acquisition had taken place at 30 June 2018; and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Proposed Acquisition had taken place at 1 January 2017, respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's interim report for the six months ended 30 June 2018, on which no audit or review report has been published, while information about the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2017, on which an audit report has been published.

Directors' Responsibility 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 Guideline 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 2018 or 1 January 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

31 December 2018

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer in connection with its valuation as at 30 September 2018 of the property interest held by Jingning Waishe Guzhen Travel Investment Development Limited.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

31 December 2018

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

Dear Sirs,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

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

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

VALUATION CERTIFICATE

Property interest held by PRC Subsidiary B in the PRC

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

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

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

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

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

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

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 3311272013A21042 dated 20 December 2013, the land use rights of a parcel of land with a site area of approximately 246,601.11 sq.m. (including the land use rights of the property) were contracted to be granted to PRC Subsidiary B for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB140,000,000.

2. Pursuant to 2 Construction Land Planning Permits – Di Zi Di Nos. 331127201500096 and 331127201500097, permission towards the planning of the property with a site area of approximately 173,933.62 sq.m. has been granted to PRC Subsidiary B.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Guo Yong (2015) Di Nos. 02118 and 02119, the land use rights of the property with a site area of approximately 173,933.62 sq.m. have been granted to PRC Subsidiary B for a term expiring on 19 December 2053 for commercial use.

4. Pursuant to 213 Real Estate Title Certificates – Zhe (2016) Jing Ning Xian Bu Dong Chan Quan Di Nos. 0000851 to 0000908, 0000912 to 0000918, 0000920 to 0000924, 0000927 to 0001062, 0001071 to 0001073 and Zhe (2017) Jing Ning Bu Dong Chan Quan Di Nos. 0002911 to 0002914, portions of Phoenix Ancient Town with a total gross floor area of approximately 47,028.60 sq.m. are owned by PRC Subsidiary B.

5. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 331127201500036 and 331127201500037 in favour of PRC Subsidiary B, the construction of the property with a gross floor area of approximately 253,510.84 sq.m. have been approved for construction.

6. Pursuant to 5 Construction Work Commencement Permits – Nos. 332529201406130101, 332529201407070101, 332529201407210101, 332529201407300101 and 332529201408040101 in favour of PRC Subsidiary B, permission by the relevant local authority was given to commence the construction of Phoenix Ancient Town with a total gross floor area of approximately 311,585.30 sq.m..

7. Pursuant to a Pre-sale Permit – Shou Xu Zi (2015) Di No. 007 in favour of PRC Subsidiary B, PRC Subsidiary B is entitled to sell portions of Phoenix Ancient Town (representing a total gross floor area of approximately 47,834.20 sq.m.) to the purchasers.

8. Pursuant to a Car Parking Space Repurchase Contract dated on 31 March 2015, the construction of the property with a total gross floor area of approximately 312,385.30 sq.m. has been approved. Permission by the relevant local authority was given to entitle PRC Subsidiary B to sell 862 parking spaces of Phoenix Ancient Town to Jingning She Nationality Autonomous County State-owned Asset Investment Management Ltd (景寧畲族自治縣國有資產投資經營有限公司), at a price range from RMB80,000,000 to RMB90,000,000.

9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,026,000,000.

10. Our valuation has been made on the following basis and analysis:

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

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

    a. Pursuant to a Mortgage Contract – (ZJ) (Wei Zhai Di) Zi Di No. 16028, portions of the land use rights and the building ownership rights of Phoenix Ancient Town are subject to a mortgage in favor of Bank of China, Zhejiang Branch for a consideration of RMB528,310,000 from 27 September 2016 to 31 December 2022.

    b. PRC Subsidiary B is legally and validly in possession of the land use rights of the property. PRC Subsidiary B has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property. Upon consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;

    c. PRC Subsidiary B has obtained all requisite construction work approvals in respect of the actual development progress;

    d. PRC Subsidiary B has the rights to legally pre-sell the portions of the property mentioned in note 7 according to the obtained Pre-sale Permits; and

    e. only possessing portion of the Real Estate Title Certificate and Pre-sale Permits for now, as disclosed in note 12 below, does not affect the title of the Land. PRC Subsidiary B is the legal and effective owner of the land use rights of the Land.

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

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

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

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

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 (other than those relating to the Vendor and parties acting in concert with it) 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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Concert Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Concert Group) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The Vendor accepts full responsibility for the accuracy of the information contained in this circular relating to the Concert Group and confirms, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below shows the closing price per Share as quoted by the Stock Exchange (i) on the last day on which trading took place in each of the six calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) as at the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
29 June 2018	0.63
31 July 2018	0.60
31 August 2018	0.57
28 September 2018	0.57
31 October 2018	0.52
6 November 2018 (Last Trading Day)	0.54
30 November 2018	0.50
28 December 2018 (The Latest Practicable Date)	0.495

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.495 per Share (recorded on 14 to 16 November 2018 and 4, 5 and 28 December 2018) and HK$0.66 per Share (recorded on 26 to 27 June 2018) respectively.

3. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares) will be as follows:

(a) Shares

(i) As at the Latest Practicable Date

		HK$
Authorised:		
20,000,000,000	Shares of HK$0.0025 each	50,000,000
Issued and fully paid:		
5,330,387,880	Shares of HK$0.0025 each	13,325,970

(ii) Immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares)

		HK$
Authorised:		
20,000,000,000	Shares of HK$0.0025 each	50,000,000
Issued and fully paid:		
5,330,387,880	Shares as at the Latest Practicable Date	13,325,970
1,033,000,000	Consideration Shares to be issued	2,582,500
6,363,387,880		15,908,470

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting. The Consideration Shares to be issued upon Completion will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company has convertible bonds, options and an arrangement which were convertible or exchangeable into Shares, details of which are as follows:

(i) 43,238,000 share options granted under the Company's share option scheme approved on 25 April 2016, entitling the holders to convert into 43,238,000 Shares at an exercise price of HK$0.734.

Save for the above, as at the Latest Practicable Date, the Company did not have any other outstanding options, derivatives, warrants or securities which were convertible or exchangeable into Shares.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

Save and except for (i) the Shares issued upon exercise of Share Options (ii) the Shares allotted and issued as disclosed in the announcement of the Company dated 21 June 2018 and 29 June 2018 and (iii) issue of convertible bonds which carry the right to convert into Shares as disclosed in the announcement of the Company dated 27 July 2018, the Company had not issued any Shares since 31 December 2017, the date to which the latest published financial statements of the Group were made up, up to the Latest Practicable Date.

4. 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)*	1,968,200,000	–	1,968,200,000	36.92%
	Beneficial owner	–	6,400,000	6,400,000	0.12%
	Interest of spouse *(Note 2)*	1,033,000,000	–	1,033,000,000	19.38%
Mr. Ng Chi Chung ("**Mr. Ng**")	Interest in controlled corporation *(Note 3)*	1,115,800,000	–	1,115,800,000	20.93%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.34%

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 1,968,200,000 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 5 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

5. 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	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner *(Note 1)*	1,968,200,000	36.92%
Ms. Shi Hongjiao ("**Ms. Shi**")	Interest of spouse *(Note 2)*	1,974,600,000	37.04%
	Beneficial owner	1,033,000,000	19.38%
Ever Ultimate	Beneficial owner *(Note 3)*	1,115,800,000	20.93%
Ms. Ting Pui Shan ("**Ms. Ting**")	Interest of spouse *(Note 4)*	1,134,298,000	21.27%
Jianda Value Investment Fund L.P.	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Li Yining	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Cinda International Holdings Limited	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Wu Haitao	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Tian Sheng Universal Limited	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Caitong Securities Co., Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
China Cinda Asset Management Co., Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
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 intend in shares *(Note 5)*	750,000,000	14.07%
Sinoday Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
Asia United Fund	Investment manager	929,798,000	17.44%

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 1,968,200,000 Shares under the SFO.

2. Ms. Shi 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 7 June 2018, Expert Corporate had executed a share and account charge in favour of the subscribers of the senior guaranteed notes, pursuant to which Expert Corporate charged the securities of at least 750,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company under the subscription agreement.

Save as disclosed above and as at the Latest Practicable Date, there are no 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.

6. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date

(a) save for the Agreement, there was no agreement, arrangement or understanding (including compensation arrangement) between the Concert Group and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Whitewash Waiver;

(b) the Concert Group was indirectly interested in 1,968,200,000 Shares, representing 36.92% of the total issued share capital of the Company. The Concert Group had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to the Last Trading Day and ending on the Latest Practicable Date;

(c) save for the interest of Mr. Hong in the shareholdings in the Company deemed interested by the Vendor as a spouse, and the Vendor is not interested in the shareholdings in the Company and has not dealt for value in any securities of the Company during the period beginning six months prior to the Last Trading Day and ending on the Latest Practicable Date;

(d) the Company did not hold, control or have any direction over any shares and any options, warrants, derivatives or convertible securities in respect of the Vendor, or its concert parties, and it had not dealt for value in any such securities of the Vendor or its concert parties during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(e) save as disclosed in the paragraph headed "4. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY" in this appendix, none of the Directors were interested in the shareholdings in the Vendor, its concert parties or the Company, and they have not dealt for value in any such securities of the Vendor, its concert parties or the Company during the period beginning six months prior to the Last Trading Day and ending on the Latest Practicable Date. Therefore, the Directors will have no voting rights at the EGM to accept or reject the resolutions therein;

(f) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code; and

(g) neither the Company nor any Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares;

(h) there was no agreement, arrangement or understanding (including compensation arrangement) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and

(i) save for the Agreement, there is no material contract entered into by the Vendor in which any Director has a material personal interest.

As at the Latest Practicable Date, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the whitewash waiver if the Acquisition does not comply with other applicable rules and regulations.

Other interest in the Company

As at the Latest Practicable Date,

i. no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

ii. none of the advisers named under the section headed "Expert's qualification and consent" in this appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

iii. no Shares or any convertible securities, warrants, option or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company;

iv. no Shares, warrants, options, derivatives or other securities convertible into the Shares was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and any other person;

v. neither the Company nor any of its Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which: (i) was a continuous contract with a notice period of 12 months or more; (ii) was a fixed term contract with more than 12 months to run irrespective of the notice period; (iii) has been entered into or amended within 6 months before the date of the Announcement, being 7 May 2018 (including continuous and fixed term contracts); or (iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competed or may compete with the business of the Group or had any other conflict of interests with the Group.

9. EXPERTS AND CONSENTS

The following is the qualifications of the expert who have given opinions or advice, which is contained in this circular:

Name	**Qualification**
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
Jones Lang LaSalle	an independent property valuer
Tian Yuan Law Firm ("**PRC lawyer**")	legal adviser to the Company as to PRC law

As at the Latest Practicable Date, each of PRC lawyer, BDO Limited, Euto Capital and Jones Lang LaSalle 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 PRC lawyer, BDO Limited, Euto Capital, and Jones Lang LaSalle 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 PRC lawyer, BDO Limited, Euto Capital and Jones Lang LaSalle has no interest, either directly or indirectly, in any assets which had been since 31 December 2017 (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.

10. MATERIAL 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.

11. 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 finance lease agreement dated 29 December 2016 entered into between 嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Financial Lease Limited) ("**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;

b. the loan agreement dated 14 February 2017 entered into between Jianda Value Investment Fund L.P ("**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;

c. the entrusted loan agreement dated 5 May 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited) ("**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;

d. 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;

e. 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;

f. 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 (Long Zhi Zu (China) Company Limited) ("**Long 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 Long China in the event of Long China's default;

g. 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;

h. 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;

i. 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;

j. 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;

k. 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;

l. 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 RMB8,000,000;

m. 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;

n. 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;

o. 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);

p. the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited and the Vendor in respect of the acquisition of the entire issued share capital of Differ Cultural Tourism Development Company Limited (鼎豐文旅發展有限公司), at a consideration of RMB375,000,000;

q. the master agreement dated 20 April 2018 entered into between Differ Dai and a limited liability company established in the PRC which is principally engaged in investment and management of assets and investment advisory service in the PRC, as the customer, pursuant to which Xiamen Differ Dai Investment Consulting Company Limited agreed to provide entrusted loans with an aggregate amount up to RMB150,000,000 (equivalent to approximately HK$185,185,000) through a local branch of a PRC commercial bank to the customer;

r. the placing and subscription agreement dated 21 June 2018 and entered into among the Company, as the issuer, Ever Ultimate Limited, as the vendor and Riches Depot Securities Co., Limited, as the placing agent in relation to the placing to the placee(s) procured by the placing agent for, or failing which the placing agent will itself purchase, of the 610,378,000 Shares beneficially owned by the vendor and the subscription for an aggregate of 610,378,000 new Shares by the vendor at HK$0.53;

s. the sale and purchase agreement dated 27 July 2018 entered into between Wang Jianxiong* (王劍雄) ("**Mr. Wang**") as the vendor and Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司), a direct wholly-owned subsidiary of the Company as the purchaser in respect of the acquisition the entire issued share capital of Karhoe Company Limited (嘉禾有限公司) ("**Karhoe**") and the amount due from Karhoe and its subsidiaries to Mr. Wang, in the sum of RMB235,379,000, in the aggregate consideration of RMB260,000,000, part of which in the sum of RMB204,000,000 (equivalent to HK$240,000,000) shall be satisfied by the issue of the convertible bonds to Mr. Wang or his nominee;

t. the placing agreement dated 14 September 2018 entered into between the Company as the issuer and China Hong Kong Capital Asset Management Co., 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;

u. the sale and purchase agreement dated 18 September 2018 entered into among Hong Qiaosi* (洪巧絲), as the creditor, Wu Yukai* (吳筱凱) and Wu Jianfei* (吳建飛), collectively as the vendors and Cultural Tours Limited (文旅有限公司), as the purchaser in respect of the acquisition of the amount due by the vendors to the creditor of RMB190 million, and taking up of the 30% equity interest in Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司) and 30% equity interest in Lishui Fu Feng Cultural Tours Limited* (麗水市富豐文化旅遊有限公司) by the purchaser;

v. the Agreement;

w. the confirmation letter dated 13 November 2018 entered into between the Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), a subsidiary of the Company, and Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, confirming the acquisition of the land use right of a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北) at the consideration of RMB430,300,000; and

x. the confirmation letter dated 13 November 2018 entered into between the Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), a subsidiary of the Company, and Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, confirming the acquisition of the land use right of a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北), at the consideration of RMB704,750,000.

12. 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, save as the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited, a wholly owned subsidiary of the Company and the Vendor as disclosed in the circular of the Company dated 23 December 2017, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2017 (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.

As at the Latest Practicable Date, save as Mr. Hong, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

As at the Latest Practicable Date, save as the Agreement and the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited, a wholly owned subsidiary of the Company and the Vendor as disclosed in the circular of the Company dated 23 December 2017, there was no material contract entered into by the Vendor in which any Director had a material personal interest.

13. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

i. no benefit (other than statutory compensations) was or would be given to any Director as compensations for loss of office or otherwise in connection with the Subscription and the Whitewash Waiver;

ii. no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Subscription and the Whitewash Waiver; and

iii. no material contracts had been entered into by the Subscribers in which any Director has a material personal interest.

14. 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 2017, the date to which the latest published audited financial statements of the Company were made up.

15. 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 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian, Province, PRC. The principal place of business of the Company in Hong Kong registered as non-Hong Kong company of the Companies Ordinance, cap 622, 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) The authorized representatives of the Company are Mr. Hong Mingxian, who is an executive Director of the Company and Mr. Tam Wai Tak Victor (as stated in (a) above).

(e) The Independent Financial Adviser of the Company is Euto Capital Partners Limited is a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the registered office of which is Room 2418, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(f) The auditor of the Company, BDO Limited, Certified Public Accountants, is located at 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(g) The full name and address of the Vendor and the Concert Group are as follows:

Name	Address
Shi Hongjiao (施鴻嬌)	Room 101, No. 2 Huxin Sanli, Xiamen, Fujian Province, PRC
Hong Mingxian	Room 101, No. 2 Huxin Sanli, Xiamen, Fujian Province, PRC
Expert Corporate	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands

(h) The legal advisors of the Company as to Hong Kong law, Anthony Siu & Co., Solicitors & Notaries, is located at 1102–1103, 11th Floor, No. 9 Queen's Road Central, Hong Kong.

(i) The legal advisors of the Company as to PRC law, Tian Yuan Law Firm is located at 10/F, China Pacific Insurance Plaza, 28 Fengsheng Lane, Xicheng District, Beijing, the PRC.

(j) The principal banker of the Company, China Construction Bank is located at Podium Floor, Tower 4, Guanyinshan Business District, Xiamen, Fujian Province, the PRC.

(k) 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.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day 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. Copy of the following documents will also be available for inspection on the website of the SFC at http://www.sfc.hk and the website of the Company at www.dfh.cn 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 2017 and the interim report for the six months ended 30 June 2018;

(c) the letter from the Board, the text of which is set out on pages 7 to 36 of this circular;

(d) a letter of recommendation dated 31 December 2018 from the Connected Transaction Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 37 to 39 of this circular;

(e) a letter of recommendation dated 31 December 2018 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 40 to 42 of this circular;

(f) 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 43 to 104 of this circular;

(g) the accountants' report of the Target Group prepared by BDO Limited, the text of which is set out in Appendix II to this circular;

(h) 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;

(i) the valuation report on the properties held by the Target Group prepared by Jones Lang LaSalle, the text of which is set out in Appendix V to this circular;

(j) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(k) the Agreement;

(l) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;

(m) the circulars of the Company dated 23 December 2017 and 24 December 2018; and

(n) 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 at Units 1102-03, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 18 January 2019 at 11:00 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 31 December 2018 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 meeting marked "A" and signed by the chairman of the meeting for the purposes of identification), entered into between Ms. Shi Hongjiao (施鴻嬌) as the vendor and Differ Cultural Tours 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 the Consideration, be and is hereby approved; and

(d) the director(s) of the Company (the "**Director(s)**") be and are hereby granted a Specific Mandate to exercise the powers of the Company and authorised to allot and issue the Consideration Shares to the Vendor or its nominee pursuant to the Agreement, such Consideration Shares shall rank equally in all respects among themselves and with all fully paid Shares of the Company in issue as at the date of allotment and issue. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution;

(e) 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 and the Agreement, 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 and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

Resolution in relation to the Whitewash Waiver

2. "THAT:

subject to the passing of ordinary resolution no. 1, and subject to the granting of the Whitewash Waiver as defined in the circular of the Company dated 31 December 2018 by the Executive and any conditions that may be imposed thereon, the Whitewash Waiver, granted or to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code waiving the obligation on the part of the Vendor and parties acting in concert with it, to make a mandatory general offer for all the Shares that are not already owned or agreed to be acquired by the Concert Group as a result of the Company allotting and issuing the Consideration Shares to the Vendor or its nominee, be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents as he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

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

Hong Kong, 31 December 2018

As at the Latest Practicable Date, the executive Directors are Mr. HONG Mingxian, Mr. NG Chi Chung and Mr. CAI Huatan; the non-executive Directors are Mr. CAI Jianfeng and Mr. WU Qinghan; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Mr. ZENG Haisheng.

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:
33/F, Differ Fortune Centre,
No. 503 Gaolin Middle Road,
Huli District,
Xiamen City,
Fujian Province, PRC

Head office and principal place of business in Hong Kong registered as non-Hong Kong company under the Companies Ordinance, cap. 622:
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.