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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ShiFang Holding Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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

SHIFANG HOLDING LIMITED
十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUPREME GLORY LIMITED; (2) MAJOR TRANSACTION RELATING TO THE FIRST RIGHT OF REFUSAL OVER THE PROJECT ASSETS; (3) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE YONGTAI PROJECT TRANSACTIONS; (4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

ASTRUM

A letter from the Board is set out on pages 9 to 74 of this circular.

The notice convening the EGM to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 19 April 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

27 March 2018

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquired Interest"	the entire issued share capital and all shareholders' loans (if any) of the Target Company proposed to be acquired by the Company from the Vendors in the Acquisition
"Acquisition"	the proposed acquisition of the Acquired Interest by the Company from the Vendors pursuant to the Acquisition Agreement
"Acquisition Agreement"	a sale and purchase agreement entered into between the Company, the Vendors and the Guarantors on 8 May 2017 in relation to the Acquisition as supplemented by the Supplemental Agreements (where the context requires)
"Beijing Fanxing"	北京繁星旅遊有限公司 (Beijing Fanxing Travel Co. Ltd.*), a domestic enterprise established in the PRC with limited liability and a wholly-owned subsidiary of Fujian Huashi
"Board"	the board of Directors
"business day(s)"	a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	ShiFang Holding Limited, a company incorporated in Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange with stock code 1831
"Completion"	completion of the Acquisition in accordance with the terms and subject to the conditions of the Acquisition Agreement
"Completion Date"	the date of Completion, being the third business day after the day on which all the Conditions have been fulfilled or waived, or such other date as may be agreed between the Company and the Vendors

"Conditions"	the conditions precedent to the Completion as contained in the Acquisition Agreement and summarized in the sub-paragraph headed "*Conditions precedent*" under the paragraph headed "*THE ACQUISITION AGREEMENT*" in this circular
"connected person(s)"	having the meaning as ascribed thereto under the Listing Rules
"Consideration"	the total consideration for the Acquisition in the amount of HK$340,000,000
"Consideration Shares"	550,000,000 new Shares to be allotted and issued to the Vendors (or their designated nominees) in accordance with the terms of the Acquisition Agreement, as part of the Consideration
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held for the purpose of (a) considering, and if thought fit, approving, amongst other things, (i) the entering into of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Consideration Shares under the Specific Mandate; (iii) the grant of the Project Assets FROR; and (iv) the proposed Increase in Authorised Share Capital; and (b) considering, and if thought fit, approving and ratifying the Yongtai Project Transactions
"Enlarged Group"	the Group as enlarged by the Target Group immediately upon Completion
"Framework Agreement"	the strategic cooperation framework agreement entered into between Shifang Ysolde and Yongtai Government dated 15 September 2017 in respect of the Yongtai Project
"Fujian Huashi"	福建華實電子科技有限公司 (Fujian Huashi Electronic Technology Co., Ltd.*), a wholly foreign owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of Wahshi Enterprises

"Group"	the Company and its subsidiaries
"Guarantors"	collectively, Mr. Zhang, Ms. Cai, Ms. Guo, Ms. Lin, Ms. Luo and Ms. Sun
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
"Independent Valuer"	Graval Consulting Limited, an independent professional valuer
"Issue Price"	HK$0.25 per Consideration Share
"Land"	a parcel of uncultivated hills and land at the site of the Project in Beijing with a measurable usable area of approximately 4,022 Chinese mu falling within the four boundaries as stipulated in the Original Lease
"Land Owner"	北京市房山區河北鎮李各莊村經濟聯合社 (Economic Cooperative Society of Ligezhuang Village, Hebei Town, Fangshan District, Beijing*), the then and current owner of the Land whether at present and at the time of entering into of the Original Lease and the New Lease
"Latest Practicable Date"	23 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Lease Period"	the period of lease over the Land granted by the Land Owner to the Original Tenant under the Original Lease, commencing from 30 December 2008 and ending on 30 December 2058
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	the day by which all the Conditions shall be fulfilled or waived, originally fixed for 31 July 2017 pursuant to the Acquisition Agreement but subsequently extended to 30 April 2018 pursuant to the Supplemental Agreements, or such later date as may be agreed in writing between the Company and the Vendors
"Mr. Zhang"	Mr. Zhang Qingsong (張慶松), the sole shareholder and director of Vendor A and one of the Guarantors under the Acquisition Agreement
"Ms. Cai"	Ms. Cai Ruiying (蔡瑞英), the sole shareholder and director of Vendor E and one of the Guarantors under the Acquisition Agreement
"Ms. Guo"	Ms. Guo Jinmei (郭金梅), the sole shareholder and director of Vendor D and one of the Guarantors under the Acquisition Agreement
"Ms. Lin"	Ms. Lin Huiyun (林惠雲), the sole shareholder and director of Vendor B and one of the Guarantors under the Acquisition Agreement
"Ms. Luo"	Ms. Luo Junrong (羅俊榕), the sole shareholder and director of Vendor F and one of the Guarantors under the Acquisition Agreement
"Ms. Sun"	Ms. Sun Xia (孫霞), the sole shareholder and director of Vendor C and one of the Guarantors under the Acquisition Agreement
"New Lease"	the direct lease of the Land entered into between Beijing Fanxing and the Land Owner on 5 December 2016, whereby the Land Owner expressly consented to the substitution of the tenant of the Land by Beijing Fanxing
"Operation Right"	the 40-years' exclusive operation right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in the Operation Site

"Operation Right Agreement"	the operation right agreement between Yongtai Project Company and Yongtai Government dated 20 December 2017 governing the grant of the Operation Right over the Operation Site
"Operation Right Acquisition"	the acquisition of the Operation Right by Yongtai Project Company from Yongtai Government through the winning of the bid on 27 November 2017 and the signing of the Operation Right Agreement on 20 December 2017
"Operation Site"	the 14.99 square kilometers site designated by Yongtai Government for the grant of the Operation Right, being part of the Yongtai Project Site
"Original Lease"	the original lease of the Land entered into on 30 December 2008 between the Original Tenant and the Land Owner for the Lease Period
"Original Tenant"	北京中夏國際投資發展有限公司 (Beijing Zhongxia International Investment Development Company Limited*), the tenant of the Land under the Original Lease
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Project"	a multi-purpose media, resort and eco-tourism project known as 北京石花洞鳥語林 (Beijing Shihua Caves Niaoyulin*), which is situated at Fangshan District(房山區), Beijing, the PRC
"Project Assets"	all cultivation grown, livestock raised and assets and buildings erected on the Land during the Lease Period
"Project Assets FROR"	a first right of refusal granted to the Land Owner in relation to the acquisition of the Project Assets in accordance with the terms the Original Lease
"Promissory Note"	a promissory note in the principal amount of HK$100,000,000 to be issued by the Company to the Vendors (or their designated nominees) in accordance with the terms of the Acquisition Agreement, as part of the Consideration

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Shifang Ysolde"	YSOLDE Group Limited, a company incorporated with limited liability in Samoa and a direct wholly-owned subsidiary of the Company
"Specific Mandate"	the specific mandate proposed to be sought from the Shareholders at the EGM to authorize the Directors to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreements"	the supplemental agreements dated 31 July 2017, 29 September 2017, 30 November 2017, 31 January 2018 and 23 March 2018 entered into between the Company and the Vendors to extend the Long Stop Date from 31 July 2017 to 30 April 2018 (or such later date as may be agreed in writing between the Company and the Vendors) and to include an additional condition precedent to Completion
"Target Company"	Supreme Glory Limited (卓耀有限公司), an investment holding company incorporated in Samoa with limited liability which is legally and beneficially owned by Vendor A, Vendor B, Vendor C, Vendor D, Vendor E and Vendor F as to approximately 9.09%, approximately 18.18%, approximately 18.18%, approximately 18.18%, approximately 18.18% and approximately 18.18%, respectively, prior to the entering into of the Acquisition Agreement
"Target Group"	the Target Company and its subsidiaries
"Valuation"	the valuation of the entire issued share capital of the Target Company conducted by the Independent Valuer, as set out in the business valuation report on the Target Group contained in Appendix V to this circular

"Vendor A"	Zenith Sky Limited, the legal and beneficial owner of approximately 9.09% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendor B"	Better Top Investment Group Limited, the legal and beneficial owner of approximately 18.18% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendor C"	Pioneer Way Investment Holdings Limited, the legal and beneficial owner of approximately 18.18% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendor D"	Joint Way Limited, the legal and beneficial owner of approximately 18.18% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendor E"	Fullness Time Limited, the legal and beneficial owner of approximately 18.18% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendor F"	Fortune Catcher Investments Limited, the legal and beneficial owner of approximately 18.18% of the entire issued share capital of the Target Company prior to the entering into of the Acquisition Agreement
"Vendors"	collectively, Vendor A, Vendor B, Vendor C, Vendor D, Vendor E and Vendor F
"Wahshi Enterprises"	Wah Shi Enterprises Limited（華實企業有限公司）, an investment holding company incorporated in Samoa with limited liability which is legally and beneficially owned as to 100% by the Target Company
"Yongtai Deposit"	the deposit in an amount of RMB50 million paid by Shifang Ysolde to Yongtai Government under the Framework Agreement
"Yongtai Government"	the People's Government of Yongtai County, Fuzhou City, Fujian Province, the PRC

"Yongtai Project"	the distinctive small town project located in Yongtai County as approved by Yongtai Government and founded by the Framework Agreement
"Yongtai Project Company"	福州功夫小鎮景區開發有限公司 (Fuzhou Kungfu Town Scenic Area Development Company Limited), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
"Yongtai Project Site"	the 15.6 square kilometers site designated by Yongtai Government for the construction of the distinctive small town under the Yongtai Project
"Yongtai Project Transactions"	collectively, the transactions contemplated by the Framework Agreement dated 15 September 2017 and the acquisition of the Operation Right under the Operation Right Agreement dated 20 December 2017
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"USD"	United States dollars, the lawful currency of the United States
"%"	per cent

* *If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translations, the Chinese version shall prevail.*

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the exchange rate of HK$100.00 to RMB80.93. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

SHIFANG HOLDING LIMITED
十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

Executive Directors:
Mr. Siuming Tsui *(Chief Executive Officer)*
Mr. Chen Zhi
Mr. Yu Shi Quan

Non-executive Directors:
Mr. Chen Wei Dong
Ms. Chen Min

Independent Non-executive Directors:
Mr. Zhou Chang Ren
Mr. Wong Heung Ming, Henry
Mr. Cai Jian Quan

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong
Suite 4701, 47th Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

27 March 2018

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUPREME GLORY LIMITED; (2) MAJOR TRANSACTION RELATING TO THE FIRST RIGHT OF REFUSAL OVER THE PROJECT ASSETS; (3) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE YONGTAI PROJECT TRANSACTIONS; AND (4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 8 May 2017, 31 May 2017, 30 June 2017, 31 July 2017, 8 August 2017, 31 August 2017, 29 September 2017, 31 October 2017, 30 November 2017, 29 December 2017, 31 January 2018 and 26 March 2018 in relation to the Acquisition and (ii) the announcements of the Company dated 15 September 2017, 27 November 2017 and 26 March 2018 in relation to the Yongtai Project Transactions.

On 8 May 2017 (after trading hours of the Stock Exchange), the Company, the Vendors and the Guarantors entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to dispose of, the Acquired Interest for the Consideration of HK$340,000,000, comprising the Deposit (as defined below), the Cash Consideration Balance (as defined below), the Promissory Note and the Consideration Shares. On 31 July 2017, 29 September 2017, 30 November 2017, 31 January 2018 and 23 March 2018, the Company and the Vendors entered into the Supplemental Agreements to extend the Long Stop Date from 31 July 2017 to 30 April 2018 (or such later date as may be agreed in writing between the Company and the Vendors) and to include an additional condition precedent to Completion regarding the Increase in Authorised Share Capital.

On 15 September 2017 (after trading hours), Shifang Ysolde (a direct wholly-owned subsidiary of the Company) entered into the Framework Agreement with Yongtai Government pursuant to which Yongtai Government agreed to form a long-term strategic cooperation with Shifang Ysolde regarding the development and operation of the Yongtai Project. Under the Framework Agreement, Shifang Ysolde paid the Yongtai Deposit of RMB50 million (equivalent to HK$59.52 million) to Yongtai Government, which was intended to be utilized for participating in open tender auctions to be organized by the Yongtai Government for land use rights, assets, grant of lease and/or operation rights circulation within the Yongtai Project Site.

On 27 November 2017, Yongtai Project Company (an indirect wholly-owned subsidiary of the Company) was informed by Yongtai Government that Yongtai Project Company had won the bid regarding the acquisition of the 40-years' exclusive Operation Right of the Operation Site. As a result of the winning of the bid, Yongtai Project Company entered into the Operation Right Agreement with Yongtai Government on 20 December 2017 regarding the acquisition of the Operation Right for the consideration of RMB28 million (equivalent to HK$33.33 million).

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition, the Project Assets FROR and the Yongtai Project Transactions; (ii) financial information on the Target Group; (iii) the valuation report in relation to the fair market value of the Acquired Interest; (iv) the proposed Increase in Authorised Share Capital; (v) a notice of EGM; and (vi) other information as required under the Listing Rules.

(1) THE ACQUISITION

THE ACQUISITION AGREEMENT

Date

8 May 2017

Parties

Purchaser: ShiFang Holding Limited (i.e. the Company)

Vendors:

(i) Zenith Sky Limited (i.e. Vendor A), the legal and beneficial owner of approximately 9.09% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement;

(ii) Better Top Investment Group Limited (i.e. Vendor B), the legal and beneficial owner of approximately 18.18% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement;

(iii) Pioneer Way Investment Holdings Limited (i.e. Vendor C), the legal and beneficial owner of approximately 18.18% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement;

(iv) Joint Way Limited (i.e. Vendor D), the legal and beneficial owner of approximately 18.18% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement;

(v) Fullness Time Limited (i.e. Vendor E), the legal and beneficial owner of approximately 18.18% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement; and

(vi) Fortune Catcher Investments Limited (i.e. Vendor F), the legal and beneficial owner of approximately 18.18% of the issued share capital of the Target Company immediately prior to the signing of the Acquisition Agreement.

Guarantors:

(i) Mr. Zhang Qingsong (張慶松), the sole shareholder and director of Vendor A;

(ii) Ms. Lin Huiyun (林惠雲), the sole shareholder and director of Vendor B;

(iii) Ms. Sun Xia (孫霞), the sole shareholder and director of Vendor C;

(iv) Ms. Guo Jinmei (郭金梅), the sole shareholder and director of Vendor D;

(v) Ms. Cai Ruiying (蔡瑞英), the sole shareholder and director of Vendor E; and

(vi) Ms. Luo Junrong (羅俊榕), the sole shareholder and director of Vendor F.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners (i.e. the Guarantors) is a third party independent of the Company and its connected persons.

Under the terms of the Acquisition Agreement, each of the Guarantors jointly and severally guarantees the due and punctual performance of the obligations of the Vendors under the Acquisition Agreement.

Subject Matter

Pursuant to the Acquisition Agreement, the Company conditionally agreed to acquire, and the Vendors conditionally agreed to dispose of, the Acquired Interest, comprising the entire issued share capital and all shareholders' loans (if any) of the Target Company. Based on the information provided by the Vendors, the Target Company did not owe the Vendors any shareholders' loans.

Further details and the financial information of the Target Group is set out in the section headed "*INFORMATION ON THE TARGET GROUP*" in this circular.

Consideration

The total Consideration for the Acquisition is HK$340,000,000, which shall be payable by the Company to the respective Vendors (or their respective designated nominees) in proportion to their respective shareholdings in the Target Company as follows:

(i) a refundable deposit of HK$34,000,000 (the "**Deposit**") was paid by the Company in cash within 7 days after the signing of the Acquisition Agreement;

(ii) upon Completion, HK$68,500,000 (the "**Cash Consideration Balance**", and together with the Deposit, collectively the "**Cash Consideration**") shall be payable by the Company in cash;

(iii) upon Completion, HK$100,000,000 shall be satisfied by the issue by the Company of the Promissory Note in the principal amount of HK$100,000,000, which carries interest at 5.5% per annum and is repayable on the third anniversary of the date of issue; and

(iv) upon Completion, HK$137,500,000 shall be satisfied by the allotment and issuance by the Company of 550,000,000 Consideration Shares at the Issue Price of HK$0.25 per Consideration Share.

The Consideration was determined after arm's length negotiations between the Vendors and the Company after taking into consideration, among other things, the Company's assessment on the prospect and feasibility of the Project, the terms of the Lease and the future development value of the Land given its geographical location, area, transportation and the remaining Lease Period.

The Company intends to settle the Cash Consideration Balance by the internal resources of the Group.

Promissory Note

The Company shall issue to the Vendors (or their designated nominees) the Promissory Note in the aggregate principal amount of HK$100,000,000 upon Completion on the following principal terms:

Issuer:	the Company
Principal amount:	HK$100,000,000
Date of issue:	Completion Date
Interest:	5.5% per annum, payable semi-annually on 30 June and 31 December in each year in arrears and upon maturity or redemption of the Promissory Note
Maturity date:	The Promissory Note is repayable on the third anniversary of the date of issue.
Transferability:	The Promissory Note may be assigned or transferred in whole or in part by the note-holder(s) to any person.
Denomination:	A note-holder may request that the certificate(s) of the Promissory Note be split into such denominations as the holder sees fit, provided that the minimum denomination of any note certificate shall not be less than HK$1,000,000.
Early redemption:	The Company may redeem any part of the Promissory Note at 102% of its principal amount at any time prior to the maturity date. The note-holders may not demand the Company to make early repayment of the Promissory Note in any event.

The terms of the Promissory Note were determined after arm's length negotiation between the Company and the Vendors with reference to the Group's financial position and the prevailing market conditions. In determining the interest rate of the Promissory Note, the Directors have reviewed all issue of promissory notes by companies listed on the Stock Exchange during the six-month period immediately prior to the date of the Acquisition Agreement (i.e. 8 May 2017) and identified eight transactions which met the said criteria (the "**PN Comparable Issues**"). The interest rates of the PN Comparable Issues ranged from nil to 10.0%, with a median of 6.0% and an average of approximately 5.5%. The interest rate of the Promissory Note of 5.5% per annum falls within the range of interest rates of the PN Comparable Issues and is comparable to the average of those of the PN Comparable Issues. The Directors consider that the terms of the Promissory Note are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

It is expected that the issue of the Promissory Note would incur interest expenses of HK$5.5 million per annum to the Group. It is the Group's current intention to finance the repayment of the Promissory Note by way of internal financial resources, external borrowings and/or equity fund-raisings based on the then financial position of the Group.

Consideration Shares

The 550,000,000 Consideration Shares represent:

(i) approximately 37.97% of the issued share capital of the Company as at the date of the Acquisition Agreement of 1,448,330,121 Shares;

(ii) approximately 31.65% of the issued share capital of the Company as at the Latest Practicable Date of 1,737,996,121 Shares; and

(iii) approximately 24.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the Specific Mandate to be obtained by the Company at the EGM. The Consideration Shares, when allotted and issued, shall be credited as fully paid and rank *pari passu* amongst themselves and with all other Shares in issue in the share capital of the Company.

Issue Price

The Issue Price of HK$0.25 per Consideration Share represents:

(i) a discount of approximately 9.09% to the closing price of HK$0.275 per Share as quoted on the Stock Exchange as at the date of the Acquisition Agreement (i.e. 8 May 2017);

(ii) a discount of approximately 12.28% to the average closing price of HK$0.285 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the date of the Acquisition Agreement;

(iii) a discount of approximately 14.38% to the average closing price of approximately HK$0.292 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the date of the Acquisition Agreement;

(iv) a discount of approximately 21.88% to the average closing price of approximately HK$0.320 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Acquisition Agreement;

(v) a premium of 56.25% over the closing price of HK$0.160 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 16.88% over the unaudited net asset value per Share of approximately HK$0.2139 based on the unaudited consolidated net assets of the Company attributable to the Shareholders of approximately RMB267,735,000 (equivalent to approximately HK$330,822,933) as at 30 June 2017, as adjusted by the net proceeds of the share placing which was completed on 25 January 2018 of approximately HK$41,000,000 and the issued share capital of 1,737,996,121 Shares as at the Latest Practicable Date.

The Issue Price was determined after arm's length negotiation between the Company and the Vendors with reference to the recent trading prices of the Shares and the net asset value per Share. After the publication of the announcement of the Company in respect of the Acquisition on 8 May 2017 and up to the Latest Practicable Date (the "**Post-announcement Period**"), the share closing price of the Company fluctuated within a range from HK$0.160 to HK$0.295, with an average closing price of approximately HK$0.210 per Share. The closing prices of the Shares during the Post-announcement Period were generally lower than the closing price of the Shares as at the date of the Acquisition Agreement (i.e. HK$0.275 per Share). Having considered the fact that the Issue Price represents (i) a premium of approximately 19.05% over the average closing price of the Shares during the Post-announcement Period; (ii) a premium of 56.25% over the closing price of the Shares as at the Latest Practicable Date; and (iii) a premium of approximately 16.88% over the unaudited net asset value per Share (based on the calculation shown above in paragraph (vi)), the Directors consider that the Consideration and the Issue Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Valuation

The Group has engaged the Independent Valuer to conduct the Valuation in respect of the entire issued share capital of the Target Company. By adopting market approach, the fair market value of the entire issued share capital of the Target Company as at 31 March 2017 was approximately HK$341.5 million (equivalent to approximately RMB276.3 million).

The Directors have (i) reviewed and discussed with the Independent Valuer the methodology of, and the bases and assumptions adopted for, the Valuation, which are summarized in the business valuation report on the Target Group as set out in Appendix V to this circular; (ii) reviewed the selection criteria of the comparables adopted by the Independent Valuer; and (iii) assessed the experience and expertise of the Independent Valuer.

The following major assumptions have been adopted in the Valuation:

(i) The Project will be completed as scheduled and developed into a natural scenic and media-based ecocultural tourism project by the Target Group in accordance with the plans and expectations of the Company's management;

(ii) For the Target Group to continue as a going concern, the Target Group will successfully carry out all necessary activities for the development of its business;

(iii) The contractual parties of the agreements entered into by the Target Group in respect of the Project will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewed upon expiry;

(iv) The unaudited financial statements of the Target Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Target Group as at 31 March 2017;

(v) Market trends and conditions where the Target Group operates will not deviate significantly from the economic forecasts in general;

(vi) Key management, competent personnel and technical staff will all be retained to support ongoing operation of the Target Group;

(vii) There will be no material changes in the business strategy of the Target Group and its expected operating structure;

(viii) Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing;

(ix) All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Group operates or intends to operate will be officially obtained and renewed upon expiry unless otherwise stated; and

(x) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Group.

As stated in the business valuation report of the Target Group, the Independent Valuer has considered the three generally accepted approaches, namely market approach, asset approach and income approach, to assess the value of the Target Group.

(i) Income approach

As advised by the Independent Valuer, under the income approach, a reliable and justifiable financial estimation (such as projected revenue, operating costs and risk-adjusted discount rate) over a foreseeable short term (i.e. 5 years) and an estimate of a long-term benefit stream of the business (i.e. terminal growth beyond the fifth year) are required. Considering the Target Group is still in the early stage of development, the Independent Valuer considers that the historical financial and operational data and information of the Target Group (inevitably involving a high level of uncertainty in terms of forecast estimates and underlying assumptions) is not sufficient to form the reliable basis of projections.

As mentioned in the accountant's report of the Target Group set out in Appendix II to this circular, the Company has performed value-in-use ("**VIU**") calculations for the purpose of goodwill impairment assessment in accordance with the guideline of IAS 36 "Impairment of Assets". The Company has considered market data on income, utilisation and operating margins of similar assets to evaluate the appropriateness of the assumptions underlying the VIU calculations after taking into account of a pre-tax discount rate considered appropriate by the Company. These VIU calculations focused on an assessment, strictly in compliance with IAS 36, on the recoverable amount of the goodwill. Therefore, the Company considers that assumptions applied in the VIU calculations may be different from assumptions used in measuring the fair market value of the Target Group as a whole. Accordingly, the management of the Company has no objection of not using income approach by the Independent Valuer.

(ii) Asset approach

Asset approach is also not appropriate as the cost of reproducing and replacing the assets ignores the future economic benefits of the Target Group's business as a whole. Therefore, the value of the Target Group could not be truly reflected by using asset approach.

(iii) Market approach

Market approach is considered by the Independent Valuer to be the most appropriate method in determining the fair market value of the entire issued share capital of the Target Company. As advised by the Independent Valuer, market approach is considered the most straightforward valuation method in determining market value of assets, which values an asset or a business entity by comparison of the current market prices of other companies or interests with similar business nature. Under the market approach, the Independent Valuer has considered two commonly used methods of valuation, namely the guideline public company method and the comparable transaction method. However, the application of the comparable transaction method is limited as there are insufficient transactions comparable to the Acquisition to form a reliable opinion of value. The guideline public company method is applied as there are certain publicly traded companies (the "**Comparable Companies**") engaged in the same or similar line of business as the Target Group that can be identified by the Independent Valuer. The shares of these Comparable Companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The Independent Valuer considered that the Comparable Companies serve as fair and representative samples to evaluate the market value of the entire issued share capital of the Target Company as they share similar fundamental characteristics with the Target Company, including business focus, market positions, regulatory environment and customer base.

Based on the discussion with the Independent Valuer and the review on the business valuation report of the Target Group as set out in Appendix V to this circular, the Directors concur with the view of the Independent Valuer that the valuation methodology adopted by the Independent Valuer is fair and reasonable to establish the fair market value of the Target Group, and the bases and assumptions for the valuation are fair and reasonable.

Conditions precedent

Completion of the Acquisition is conditional upon fulfillment or waiver (as the case may be) of the Conditions as set forth below:

(A) the Company having completed its due diligence in respect of, including but not limited to, affairs, business, assets, results, legal and financial structure of members of the Target Group, and the results of due diligence being satisfactory to the Company in its absolute discretion;

(B) the Company having obtained a legal opinion from qualified PRC legal advisers, in form and substance satisfactory to the Company in its absolute discretion, to confirm, amongst other things, the due incorporation, valid and continued existence of members of the Target Group which are incorporated in the PRC, the approvals, consents, licences and/or permissions required by each member of the Target Group incorporated in the PRC to conduct their business operations, the title and ownership of assets of the Target Group free from encumbrances, the full force and effect of the material contracts in relation to the Project, the Land and the income derived therefrom during the Lease Period;

(C) the obtaining of all approvals, completion of all filings, waiting periods having expired or terminated and all applicable statutory and legal obligations having been complied with, in each case as may be necessary and expedient in connection with the entering into and the completion of the Acquisition Agreement;

(D) no events having occurred which may result in any material adverse effect on the financial performance, business or assets, operating results or business prospects of the Target Group between the date of the Acquisition Agreement and Completion;

(E) all warranties given by the Vendors being true, accurate and not misleading at all times between the date of the Acquisition Agreement and Completion;

(F) (if applicable) the obtaining of the required approvals, confirmations, waivers or consents from all third parties or regulatory authorities in respect of the Acquisition Agreement and the transactions contemplated thereunder;

(G) the obtaining of a valuation report (in form and substance satisfactory to the Company in its absolute discretion) from a valuer appointed by the Company and showing that the fair market value of the Acquired Interest is not less than HK$340,000,000;

(H) the passing of the ordinary resolution(s) by the Shareholders at the EGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares);

(I) the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares; and

(J) the Increase in Authorised Share Capital being approved by the Shareholders at the EGM.

Save for and except Conditions (H) and (I) above which cannot be waived by any party in any event, the other Conditions can be waived at the absolute discretion of the Company. The Company has no intention to waive any Condition in a way and to an extent which unjustifiably exposes the Company to material extra risks or economic loss.

The Long Stop Date for the fulfillment or waiver of the Conditions was originally fixed for 31 July 2017 but subsequently extended to 30 April 2018 (or such later date as the parties may agree in writing) pursuant to the Supplemental Agreements. If any of the Conditions are not fulfilled or waived on or before the Long Stop Date, the Acquisition Agreement shall terminate, the Vendors shall forthwith refund the Deposit made by the Company without interest, and no party shall have any claim in relation to the Acquisition Agreement (without prejudice to the rights of any party in respect of antecedent breaches).

As at the Latest Practicable Date, only Condition (G) had been satisfied so far.

Completion

Subject to fulfillment or waiver (as the case may be) of all the Conditions, Completion shall take place on the Completion Date, which shall be the third business day after the day on which all the Conditions have been fulfilled or waived (or such other date as may be agreed between the Company and the Vendors).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the Group will consolidate the financial results and assets and liabilities of the Target Group.

Specific Mandate

The Consideration Shares will be allotted and issued under the Specific Mandate to be obtained from the Shareholders at the EGM.

Application for listing

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

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in Samoa with limited liability on 9 June 2016. Prior to the entering into of the Acquisition Agreement, the Target Company is legally and beneficially owned by Vendor A, Vendor B, Vendor C, Vendor D, Vendor E and Vendor F as to approximately 9.09%, approximately 18.18%, approximately 18.18%, approximately 18.18%, approximately 18.18% and approximately 18.18%, respectively. Based on the information provided by the Vendors, the only asset of the Target Company is the entire issued share capital in Wahshi Enterprises.

Wahshi Enterprises is an investment holding company incorporated in Samoa with limited liability. Based on the information provided by the Vendors, as at the Latest Practicable Date, the entire issued share capital of Wahshi Enterprises was legally and beneficially owned by the Target Company. Based on the information provided by the Vendors, the only asset of Wahshi Enterprises is the entire equity interests in Fujian Huashi.

Fujian Huashi is a wholly foreign owned enterprise established in the PRC with limited liability. Based on the information provided by the Vendors, as at the Latest Practicable Date, the registered capital of Fujian Huashi was RMB10,000,000, which was 100% legally and beneficially owned by Wahshi Enterprises. Based on the information provided by the Vendors, the only asset of Fujian Huashi is the entire equity interests in Beijing Fanxing.

Beijing Fanxing is a domestic enterprise established in the PRC with limited liability. Based on the information provided by the Vendors, as at the Latest Practicable Date, the registered capital of Beijing Fanxing was RMB5,000,000, which was 100% legally and beneficially owned by Fujian Huashi. Beijing Fanxing is principally engaged in the design, construction and operation of the Project which is situated at Fangshan District (房山區), Beijing, the PRC, approximately 40 kilometers away from the city centre of Beijing. The Project is adjacent to Beijing Shihua Caves of China (中國北京石花洞), a nationwide famous tourist attraction, part of Fangshan Global Geopark of China (中國房山世界地質公園) and graded as National Park of China (國家級風景名勝區), National Geopark of China (國家地質公園), National Natural Heritage (國家自然遺產) and National 4A Tourist Attraction (國家AAAA級旅遊景區).

Background of and information on the New Lease

On 30 December 2008, the Original Tenant entered into the Original Lease with the Land Owner to lease the 4,022 Chinese mu Land for the 50 years' Lease Period from 30 December 2008 to 30 December 2058 at the annual rent of RMB90,000 (subject to 6% upward adjustment every ten years). The Land Owner is the government-established rural collective economic organization formed pursuant to the Organic Law of the Villagers' Committees of the PRC (中華人民共和國村民委員會組織法) to exercise the right of ownership of and decision making regarding the operations and business activities over the collective land situated at Ligezhuang Village, Hebei Town, Fangshan District, Beijing. The Original Lease specified that the Land may be used for cultural, tourism, health preservation, cultivation, livestock breeding and multi-purpose development and use. Under the Original Lease, the operation on the Land should be solely undertaken, and income solely enjoyed, by the Original Tenant without any interference by the Land Owner, but the Original Tenant should be responsible for the preservation of water, land and cultivation resources on the Land. During the Lease Period, the Original Tenant should grant priority to residents belonging to the collective organization of the Land Owner when recruiting staff, assuming all other recruitment terms being identical.

Under the Original Lease, the Project Assets should belong to the Original Tenant absolutely, whether during the Lease Period or upon the modification, termination or release of the Original Lease. When the Lease Period expires in 2058, if the Land Owner decides to continue to let the Land, the Original Tenant should enjoy a first right of refusal to lease the Land, assuming all other leasing terms being identical. If the Land Owner decides not to let the Land any more or the Original Tenant decides not to rent the Land from the Land Owner on the expiry of the Lease Period in 2058, the ownership of all the Project Assets invested by the Original Tenant should remain with the Original Tenant notwithstanding the expiry of the Original Lease. If the Original Tenant decides to sell the Project Assets to any third party buyer, the Land Owner should have a first right of refusal in acquiring the Project Assets at the same acquisition terms (except the acquisition price) as agreed by the Original Tenant and such third party buyer (i.e. the Project Assets FROR), at an acquisition price which is determined according to the valuation conducted by a valuer.

Based on the information received by the Company during the due diligence exercise as verified by the Company's management through conducting interviews with representatives of the Original Tenant, the villagers' committee and local government officials, the Project site was temporarily closed down in 2013 due to the record heaviest rain in Beijing for 60 years in July 2012 causing serious flash floods and landslides in the Project site and damages to connecting roads and facilities including, most importantly, the aviary attraction. However, the Original Tenant lacked the additional funding to repair the roads and facilities in the Project site, resulting in prolonged closure of the Project. Apart from the funding shortage of the Original Tenant, the Company is not currently aware of any other difficulties or obstacles for the development plan, license application, repair works and re-opening of the Project. The repair and maintenance fees required to put the Project site to deliverable state to the Group's business partners of different function zones are already taken into account in the estimated investment costs of RMB97.1 million of the Project (as detailed on pages 41 and 42 of this circular). Save for the funding required to complete the repair and re-development works of the Project site as stated above, the close down of the Project since 2013 does not appear to have any impact on the business prospect and viability of the Project.

On 16 May 2016, the Original Tenant entered into a memorandum of understanding with 福建繁星電子科技有限公司 (Fujian Fanxing Electronics Technology Co., Ltd.*) ("**Fujian Fanxing**"), the then holding company of Beijing Fanxing, regarding the possible assignment of the leasing right of the Original Tenant under the Original Lease and the ownership of the Project Assets. On 3 August 2016, the Original Tenant and Fujian Fanxing entered into an assignment (the "**Assignment**") to assign the leasing right under the Original Lease and the Project Assets in favour of Beijing Fanxing (as expressly nominated by Fujian Fanxing to take up all rights of the Assignment) absolutely. Under the Assignment, all obligations of the Original Tenant under the Original Lease (including the obligation to pay rent to the Land Owner) were assumed by Fujian Fanxing (or its nominee Beijing Fanxing) under the same terms of the Original Lease with effect from 1 January 2017. The consideration payable by Fujian Fanxing (or Beijing Fanxing) to the Original Tenant for the Assignment was RMB30 million. Under the terms of the Assignment, the Original Tenant undertook to procure the Land Owner to grant a direct lease (i.e. the New Lease) to Beijing Fanxing upon the same terms as in the Original Lease, such that the name of Beijing Fanxing be registered as the legal tenant of the Land on the official records of the local government for the remaining Lease Period (the "**Change of Tenant Registration**"(租賃主體變更)).

In compliance with the procedures required by the PRC laws regarding the use, enjoyment and operation of collective land, on 27 October 2016, the Change of Tenant Registration was approved by simple majority at a meeting attended by over two-thirds of the villager representatives of Ligezhuang Village (at which the Land is situated). On 1 November 2016, the Change of Tenant Registration was formally approved by the Land Owner and the villager's committee of Ligezhuang Village (李各莊村村民委員會). On the same day, the application for the Change of Tenant Registration was approved for submission by the Supervising Center of Rural Collective Assets of Hebei Town (河北鎮農村集體資產監管中心), which application was finally approved by the People's Government of Hebei Town, Fangshan District (房山區河北鎮人民政府) on 3 December 2016 subject only to the relocation of the registered address of Beijing Fanxing to Hebei Town. On 25 April 2017, the registered address of Beijing Fanxing was relocated to Hebei Town in satisfaction of the condition imposed by government regarding the Change of Tenant Registration. On 5 December 2016, the New Lease was formally entered into by the Land Owner directly with Beijing Fanxing, whereby the Land Owner expressly consented to the substitution of the tenant of the Land by Beijing Fanxing and the Change of Tenant Registration along the same terms as originally specified in the Original Lease, subject only to the adjustment of the annual rental from RMB90,000 to RMB106,000 (with 6% upward adjustment for every ten years). In the light of the New Lease granted directly by the Land Owner to Beijing Fanxing, based on the legal advice obtained by the Company from its PRC legal advisers, the Company is of the view that Beijing Fanxing should have obtained the absolute and undisputed leasing right (including the unfettered use, enjoyment and operation) of the Land for up to 2058, which is unaffected by the revocation of business license of the Original Tenant. On 29 December 2016, in furtherance of the Assignment, the Original Tenant delivered physical possession of the Project Assets and recorded the asset transfers by way of four asset transfer agreements (the "**Project Assets Transfer Agreements**"). In the light of the passing of physical possession of the Project Assets and the signing and completion of the Project Assets Transfer Agreements, based on the legal advice obtained by the Company from its PRC legal advisers, the Company is of the view that Beijing Fanxing should have obtained the absolute and undisputed title and ownership of the Project Assets, which is unaffected by the revocation of business license of the Original Tenant.

Based on public search records, the business license (營業執照) of the Original Tenant was revoked (吊銷) with effect from 12 October 2012, but its business license has yet to be cancelled (注銷) up to the Latest Practicable Date. Based on the legal advice obtained by the Company from its PRC legal advisers, despite the revocation of the business license of the Original Tenant, it was still regarded as a valid and existing corporate entity and had civil capacity to enter into the Assignment and the related documents (including the Project Assets Transfer Agreements) and be held responsible for civil liabilities thereunder. Accordingly, based on the advice of the Company's PRC legal advisers, the legitimate leasing right of Beijing Fanxing over the Land (whether derived from the Assignment or the New Lease) and the absolute legal title and beneficial ownership of the Project Assets (whether under the Assignment or the Project Assets Transfer Agreements) should be upheld in, and protected by, the PRC laws and not be affected by the revocation (and the eventual cancellation) of the business license of the Original Tenant.

In addition, as part of the Assignment, 中國資產經營管理公司 (China Asset Management Corporation*) ("**China AM Corporation**") (i) guaranteed the unencumbered nature of the leasing right over the Land and the Project Assets upon the transfer of ownership contemplated by the Assignment, (ii) undertook to indemnify Fujian Fanxing (acting for and on behalf of Beijing Fanxing) for all debts, liabilities and contingent liabilities affecting the leasing right over the Land and the Project Assets, and (iii) represented and warranted that all necessary consents required for the assignment of the leasing right over the Land and the Project Assets were duly obtained. China AM Corporation also provided joint and several unlimited guarantee in favour of Fujian Fanxing (acting for and on behalf of Beijing Fanxing) to ensure the due and punctual performance of all obligations of the Original Tenant under the Assignment. Under the terms of the Assignment, the validity of the guarantee provided by China AM Corporation shall be valid for two years after the contractual deadline imposed on the Original Tenant for full performance of its obligations, and shall not be affected even if any terms of the Assignment are subsequently held to be defective or invalid. Regarding the contractual obligation imposed on the Original Tenant under the Assignment and guaranteed by China AM Corporation with respect to the unencumbered nature of the leasing right over the Land and the Project Assets, Beijing Fanxing, China AM Corporation and the Original Tenant signed a tripartite confirmation dated 23 January 2017 regarding the formal completion and settlement of the transfer of the ownership of the Project contemplated by the Assignment. Therefore, based on the advice of the Company's PRC legal advisers, the validity period of the guarantee given by China AM Corporation should be the two years running from 24 January 2017 to 23 January 2019.

Based on the information available to the Company, the Original Tenant is a domestic enterprise established in the PRC on 10 August 2000 with limited liability. The registered capital of the Original Tenant is RMB10,000,000, which is owned as to 80% by 北京博爾派特科技開發有限公司 (Beijing Boerpaite Technology Development Co., Ltd.) ("**Beijing Boerpaite**") and as to 20% by 北京中集時代物流有限公司 (Beijing Zhongjishidai Logistics Co., Ltd.) ("**Beijing Zhongjishidai**"). The Original Tenant is principally engaged in investment management, investment consulting (excluding intermediary services), financial advisory, information consultation (excluding intermediary services), market research and technical training. Based on the information available to the Company, Beijing Boerpaite is owned as to 70% by 北京意恒通投資有限公司 and 30% by 劉學新. 北京意恒通投資有限公司 is owned as to 95% by 北京冠怡聖景科技有限公司 and 5% by 李成. 北京冠怡聖景科技有限公司 is owned as to 53.94% by 霍明明, 23.53% by 周國成 and 23.53% by 孫逾. Beijing Zhongjishidai is owned by 肖茵, 梁偉華, 張俊梅, 北京康斯達汽車配件銷售中心 and 北京意恒通投資有限公司 as to 26.67%, 20%, 20%, 20% and 13.33%. 北京康斯達汽車配件銷售中心 is wholly owned by 康泰納(北京)實業公司. 康泰納(北京)實業公司 is wholly and ultimately owned by 中國集裝箱公司 (China National Container Corporation), a state-owned enterprise in the PRC.

China AM Corporation is a whole people-owned enterprise (全民所有制企業) with a registered capital of RMB159 million wholly-owned by China Chengtong Holdings Group Limited (中國誠通控股集團有限公司), a state-owned enterprise with a registered capital of RMB9,380 million. In the light of the guarantee and indemnity provided by China AM Corporation under the Assignment, the Company is of the view that Beijing Fanxing should be able to uphold its absolute ownership of the Project Assets and should be sufficiently safeguarded against any risk associated with the revocation of business license of the Original Tenant.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Land Owner, the Original Tenant, China AM Corporation and their ultimate beneficial owners is a third party independent of the Company and its connected persons.

Financial Information of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Group for the period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 and for the nine months ended 31 December 2017:

	Period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 *RMB'000* *Approximately*	**Nine months ended 31 December 2017** *RMB'000* *Approximately*
Loss before taxation	(896)	(4,216)
Loss for the period attributable to owners of the Target Company	(677)	(3,232)

	As at 31 March 2017 *RMB'000* *Approximately*	**As at 31 December 2017** *RMB'000* *Approximately*
Total assets	319,555	316,852
Net assets	265,976	262,744

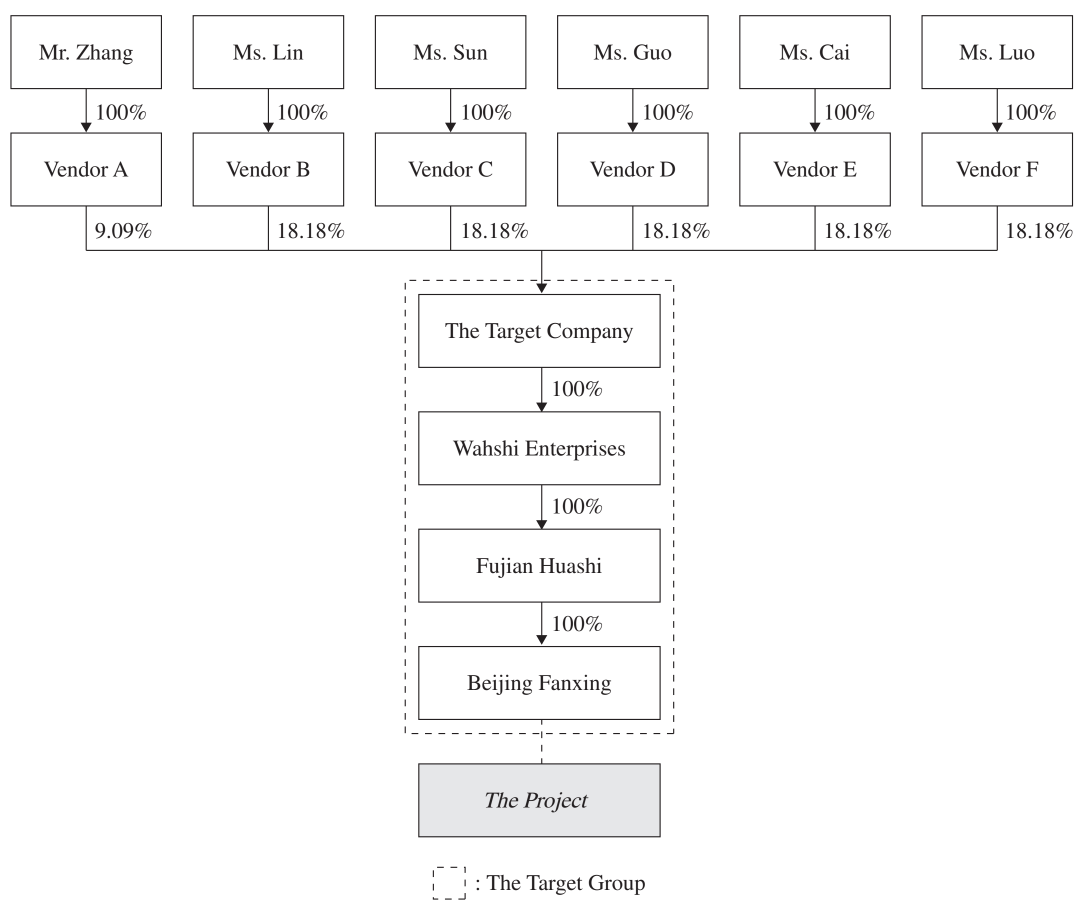
No revenue was recorded by the Target Group from the date of incorporation of the Target Company until 31 March 2017 since the Target Group has not conducted any business during the period.

Financial information of the Target Group, including the accountant's report on the Target Group, is set out in Appendix II to this circular. The above information should be read in conjunction with the consolidated financial statements and accompanying notes set forth in the accountant's report set out in Appendix II to this circular.

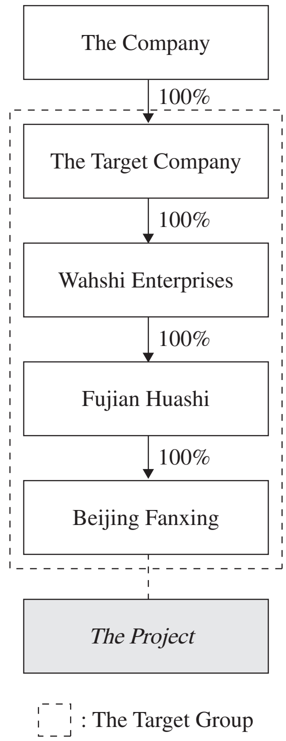
Shareholding Structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date and immediately after Completion:

As at the Latest Practicable Date:

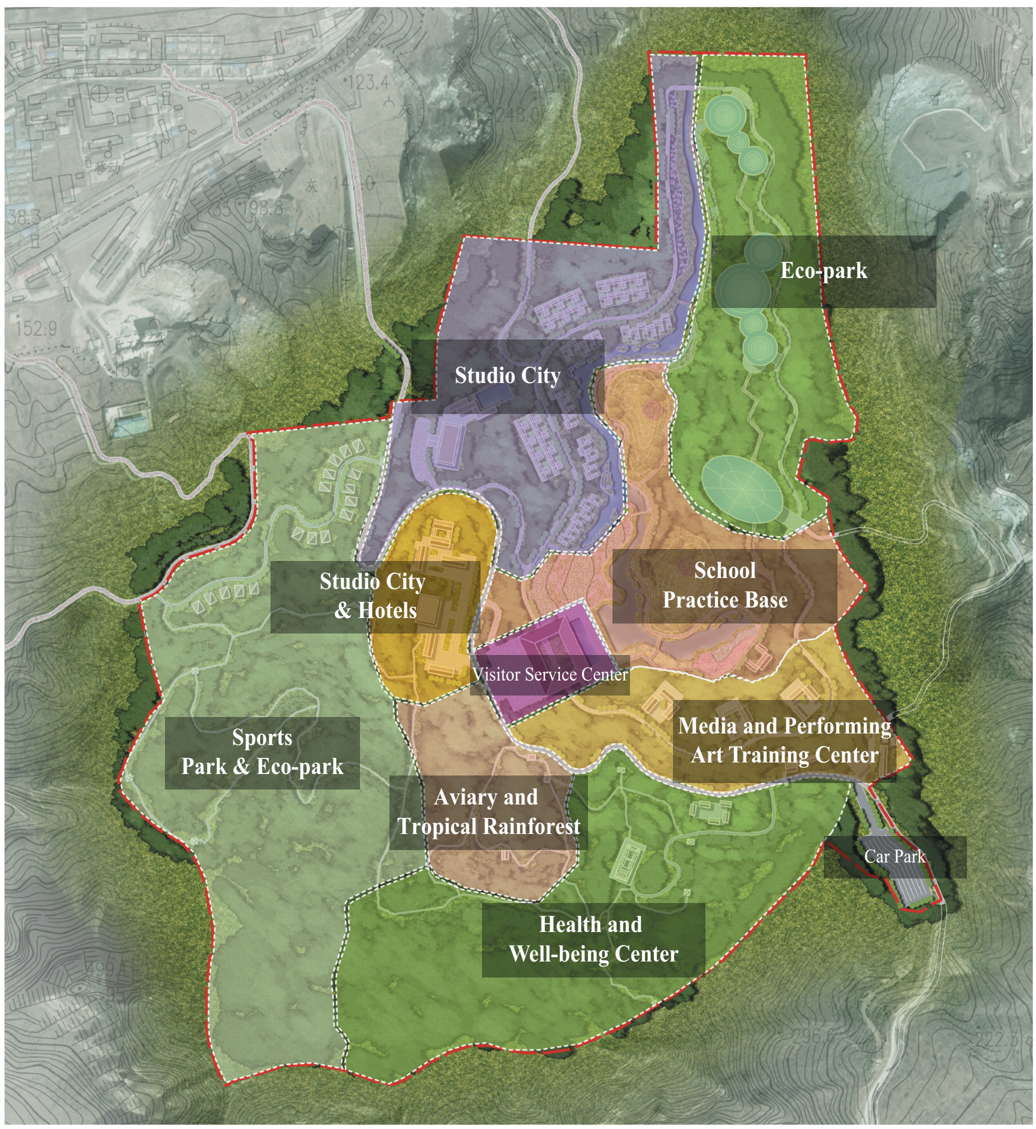


Immediately after Completion:



Development Plan of the Land

It is the intention of the Target Group to develop the Land into a multi-purpose film studio, media and performing arts training center, resort and eco-tourism park (the "**Project Development**"). The Land will be divided into eight function zones, namely, studio city, media and performing art training center, school practice base, studio city & hotels, health and well-being center, eco-park, aviary and tropical rainforest, and sports park & eco-park. The chart below illustrates the overall layout of the Land:



According to the information provided by the Vendors, as at the Latest Practicable Date, Beijing Fanxing had entered into the following legally-binding agreements with various business partners with the view to developing different operation aspects of the Project, including media, eco-tourism, outdoor sports, student extracurricular activities, resort, catering and accommodation, principal terms of which are summarized as follows:

(a) a cooperative agreement dated 5 January 2017 and a formal agreement dated 7 August 2017 entered into between Beijing Fanxing and 廣艾堂健康管理咨詢有限公司 (Guang Ai Tang Health Management Consulting Co., Ltd.*) ("**Health Center JV Partner**") in relation to the joint establishment of a health center (the "**Health Center**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall contribute a designated area for the construction of the Heath Center and be responsible for obtaining all necessary approvals for the design, construction and operation of the Health Center, whereas Health Center JV Partner shall be responsible for all the capital required for the construction, equipment purchases, working capital and operation of the Health Center;

(b) a lease agreement dated 8 January 2017 and a formal agreement dated 6 August 2017 entered into between Beijing Fanxing and 北京良品餐飲管理有限公司 (Beijing Liangpin Food & Beverage Management Co., Ltd.*) ("**F&B JV Partner**") in relation to the provision by Beijing Fanxing of (i) existing indoor area suitable for food and beverage purposes of 3,400 square meters within the Land for a rental period of 5 years at the initial annual rent of RMB 3.723 million (subject to 5% increase after 3 years); (ii) indoor area suitable for staff dormitory purposes within the Land for a rental period of 5 years at the initial annual rent of RMB 730 per square meter (subject to 5% increase after 3 years); and (iii) additional indoor area suitable for guest room purposes within the Land for a rental period of 5 years at the initial annual rent of RMB 1,460 per square meter, subject to the obtaining of all necessary approvals for the design, construction and operation and subject to 5% increase after 3 years;

(c) a cooperative agreement dated 16 January 2017 and a formal agreement dated 9 August 2017 (the "**Extracurricular Center Formal Agreement**") entered into between Beijing Fanxing and 北京昊科啟智教育科技有限公司 (Beijing Haoke Qizhi Education Technology Co., Ltd.*) ("**Extracurricular Center JV Partner**") in relation to the joint establishment of an extracurricular center (the "**Extracurricular Center**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall contribute designated area for the construction of the Extracurricular Center and be responsible for obtaining all necessary approvals for the design, construction and operation of the Extracurricular Center, whereas the Extracurricular Center JV Partner shall be responsible for all the capital required for the construction, equipment purchases, working capital and operation of the Extracurricular Center;

(d) a cooperative agreement dated 23 January 2017 and a formal agreement dated 4 August 2017 (the "**Sports Center Formal Agreement**") entered into between Beijing Fanxing and 福州開發區玄曄工貿有限公司 (Fuzhou Development Zone Xuanye Industry and Trade Co., Ltd.*) ("**Sports Center JV Partner**") in relation to the joint establishment of a sports center (the "**Sports Center**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall contribute a designated area for the construction of the Sports Center and be responsible for obtaining all necessary approvals for the design, construction and operation of the Sports Center, whereas Sports Center JV Partner shall be responsible for all the capital required for the construction, equipment purchases, working capital and operation of the Sports Center;

(e) a cooperative agreement dated 27 January 2017 and a formal agreement dated 5 August 2017 entered into between Beijing Fanxing and 福建順昌春蘊生態農業發展有限公司 (Fujian Shunchang Chunyun Ecological Agriculture Development Co., Ltd.*) ("**Ecopark-A JV Partner**") in relation to the joint establishment of an eco-park ("**Ecopark-A**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall contribute a designated site of 400 Chinese mu for the construction of Ecopark-A and be responsible for obtaining all necessary approvals for the design, construction and operation of Ecopark-A, whereas Ecopark-A JV Partner shall be responsible for all the capital required for the construction, equipment purchases, working capital and operation of Ecopark-A;

(f) a cooperative agreement dated 27 January 2017 and a formal agreement dated 8 August 2017 entered into between Beijing Fanxing and 山東綠鑫春生態農業發展有限公司 (Shandong Luxinchun Ecological Agriculture Development Co., Ltd.*) ("**Ecopark-B JV Partner**") in relation to the joint establishment of an eco-park ("**Ecopark-B**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall contribute a designated site of 400 Chinese mu for the construction of Ecopark-B and be responsible for obtaining all necessary approvals for the design, construction and operation of Ecopark-B, whereas Ecopark-B JV Partner shall be responsible for all the capital required for the construction, equipment purchases, working capital and operation of Ecopark-B;

(g) a cooperative agreement dated 4 February 2017 and a formal agreement dated 7 August 2017 entered into between Beijing Fanxing and 南寧第一生活廣告有限公司 (Nanning First Life Advertising Co., Ltd.*) ("**Aviary JV Partner**") in relation to the joint establishment of an aviary (the "**Aviary**") within the location of the Land, whereby (*inter alia*) Beijing Fanxing shall deliver possession of the existing area of aviary to Aviary JV Partner, whereas Aviary JV Partner shall be responsible for all the capital required for the improvement, purchases, working capital and operation of the Aviary;

(h) a framework agreement dated 20 February 2017 entered into between Beijing Fanxing and 蘇州傳視影視傳媒股份有限公司 (Suzhou Tracevision Media Stock Co., Ltd.) ("**Movie Partner**") in relation to the co-investment into three movie production, and a joint investment agreement dated 22 May 2017 entered into between Beijing Fanxing and Movie Partner under which Beijing Fanxing agreed to invest an amount of RMB6 million in return of 20% interest in the first movie production; and

(i) a cooperative agreement dated 8 August 2017 entered into between Beijing Fanxing and 中國傳媒教育促進會 (China Media Education Promotion Association*) ("**Media Project Partner**") in relation to the joint organization of preparatory training workshop to college students and candidates who wish to apply for further studies with tertiary institutions for performing arts.

The following table summarizes the details of each function zone, including a brief introduction, site area, identity of project partners (if any) and cooperation model, estimated investment, estimated commercial operation date and revenue model:

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
1	Studio city (影視城)	1. Beijing Fanxing will construct 1 outdoor shooting spot in each function zone by making use of the existing natural mountain and landscape which will be leased to shooting crews for shooting purpose. 2. 1 film studio with basic facilities will also be constructed for indoor scene or special effect shooting. 3. Beijing Fanxing will provide pre- and in-shooting ancillary facilities, including rental services for video equipment or special shooting equipment (e.g. aerial cameras, 8K cameras, etc.), which can on average cater for equipment needs from 4 crews during the shooting. 4. Upon request, Beijing Fanxing will provide prop design and making and warehouse rental services, which can on average cater for prop needs from 4 crews during the shooting process. 5. Beijing Fanxing will lease venue and basic production equipment to the crews for simple review, clipping and other post editing work, to improve the efficiency of shooting. 6. Tourists may buy admission tickets to wait selected scenes in the studio city, where souvenirs or fine works will be offered for sale. Part of the areas of the studio city will be surrounded by walls, managed separately and subject to admission tickets, but other parts of the studio city will be open to public free of charge.	approximately 606.0 Chinese mu *(Note 3)*	Not applicable	Not applicable	Self-operation by Beijing Fanxing	The estimated investment cost is approximately RMB70.0 million, which will be financed by Beijing Fanxing. Among which, approximately RMB51.5 million will be used for the construction of studio city as well as various shooting spots to be built in other function zones, and approximately RMB18.5 million will be used for purchasing video equipment and special shooting equipment (e.g. aerial cameras, 8K cameras, etc.).	by the end of 2019 *(Note 4)*	Rental income from shooting spot and shooting equipment, and admission ticket income will be the key income sources.

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
2	Media and performing art training center (媒體及演藝培訓中心)	1. The project in partnership with Media Project Partner will operate in Fangshan, Beijing under a range of models including development of performance art training materials, teacher training, regular president forums for performance art training agencies, one-stop studio services, campus recruitment fairs, the Hope Project (broadcaster cultivation for schools in impoverished areas), art education practice base for primary and middle schools etc.	approximately 282.6 Chinese mu	**Training courses:** 中國傳媒教育促進會(China Media Education Promotion Association*) (i.e. Media Project Partner)	**Training courses:** 5 years	**Training courses** – Media Project Partner is responsible for development of teaching materials and training teachers for over 500 members; planning and operation of regular president forums, campus recruitment fairs and summer camps for primary and middle schools; and planning and operation of broadcaster training programs for radio stations in impoverished areas. – Beijing Fanxing is responsible for providing appropriate venues and paying rents for all training programs; paying salaries or subsidies to instructors; paying expenses on teaching equipment, teaching materials and promotion; and providing internship opportunities at the film and television base and training center for the students referred by Media Project Partner and students of the co-training courses (Beijing Fanxing will grant appropriate subsidies to the interns).	**Training courses** The estimated investment cost is approximately RMB300,000, which will be financed by Beijing Fanxing and will be used for teaching materials and equipments.	by the end of 2018	**Training courses** – Tuition fees will be the key income source. – Profit will be shared between Beijing Fanxing and Media Project Partner at a rate of 50% and 50%, respectively
		2. Beijing Fanxing will construct a media production center and lease the facilities to the shooting crews for review, clipping and other post editing work. The media production center provides a range of world-class workshops and equipment, including at least 1 3D special effect shooting space, 2 clipping and replay rooms, and 2 sound tuning, recording and mixing studios to improve shooting efficiency and production quality.		**Media production center:** Not applicable	**Media production center:** Not applicable	**Media production center** Self-operation by Beijing Fanxing	**Media production center** The estimated investment cost is approximately RMB12.0 million, which will be financed by Beijing Fanxing and will be used for the construction of the media production centre.		**Media production center** Rental Income will be the key income source.

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
3	School practice base (學校實踐基地)	The Extracurricular Center will offer extracurricular training camps on the theme of nature and environmental protection, and will provide an opportunity to its customers to explore natural environment and planting experience in the parks (e.g. the ecological park, the aviary and tropical rainforest, etc.). The target customers are students in kindergartens, primary schools, junior middle schools and senior high schools in Beijing, the PRC. Part of the areas of the Extracurricular Center will be surrounded by walls, managed separately and subject to admission tickets, but other parts of the Extracurricular Center will be open to public free of charge.	approximately 480.0 Chinese mu	北京昊科啟智教育科技有限公司 (Beijing Haoke Qizhi Education Technology Co., Ltd.*) (i.e. Extracurricular Center JV Partner)	5 years	– A co-delineated land parcel will be delivered by Beijing Fanxing to the Extracurricular Center JV Partner at nil consideration to design a plan suitable for land use, apply for construction permit, construct and operate the project. – Extracurricular Center JV Partner shall finance equipment and facility purchases for the project, and use its best endeavors to achieve an annual revenue exceeding RMB20 million. – Beijing Fanxing is responsible for admission ticket sale and collecting fees for all paid services in the school practice base. – At the end of the cooperation period, the land parcel will be surrendered by the Extracurricular Center JV Partner back to Beijing Fanxing at nil consideration.	To be financed by Extracurricular Center JV Partner, with a commitment of not less than RMB3 million	In the second half of 2018	– Admission tickets and all paid services will be the key income source. – Profit will be shared between Beijing Fanxing and the Extracurricular Center JV Partner at a rate of 30% and 70%, respectively.

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
4	Hotels (酒店)	Beijing Fanxing will lease its hotel and staff dormitories to F&B JV Partner for operation of catering service center and boutique inn with 30 guest rooms. A new extension of eco-resort will be built adjacent to the hotel and dormitory building. The new hotel will have 350 guest rooms. Each hotel will provide at least 1 large ballroom, 1 world-class conference room and 1 fitness center to serve park visitors and shooting crews.	Approximately 48.0 Chinese mu	北京良品餐飲管理有限公司 (Beijing Liangpin Food & Beverage Management Co., Ltd.*) (i.e. F&B JV Partner)	5 years	– Beijing Fanxing leases out the hotel and staff dormitories entirely to F&B JV Partner for operation. – F&B JV Partner shall be responsible for the design, construction and operation of the new eco-resort extension and the new hotel.	The refurbishment cost of the hotel and staff dormitory and the building cost of the new eco-resort extension and the new hotel will be solely financed by F&B JV Partner.	Existing hotel and dormitories and the new eco-resort extension: In the second half of 2018 New hotel: by the end of 2019	The rents charged by Beijing Fanxing over F&B JV Partner for the hotel and staff dormitories, including the new eco-resort extension and the new hotel will be the key income source. *(Note 5)* Under the terms of the cooperation with the F&B JV Partner, the land and construction costs for the new hotel shall be borne by the F&B JV Partner. The ownership of the land of the new hotel shall at all times belong to Beijing Fanxing, but the ownership of the building and facilities of the new hotel shall belong to F&B JV Partner. If Beijing Fanxing does not renew the cooperation with F&B JV Partner upon expiry of the 5 years' cooperation period, it shall purchase the building and facilities of the new hotel from F&B JV Partner at fair value assessed by independent valuer.

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
5	Health and well-being center (健康養生館)	The Health Center will consist of 3 steaming rooms, 1 massage lobby, 4 healthcare rooms, 2 yoga rooms, 1 meditation room and 80 guest rooms. It will provide a series of health and well-being service packages, including medicated bath and steaming, traditional Chinese medicine and acupuncture treatment, fitness for sub-health groups, yoga, meditation, nutrition consultation, and sale of health products, supported by onsite professional instruction.	approximately 845.9 Chinese mu	廣艾堂健康管理諮詢有限公司(Guang Ai Tang Health Management Consulting Co., Ltd.*) (i.e. Health Center JV Partner)	5 years	– Health Center JV Partner is responsible for designing a plan suitable for land use, applying for construction permit, constructing and operating the centre. – Beijing Fanxing is responsible for collecting membership fees and the fees for all paid services in the center. – The parties will work together to achieve total annual revenue of RMB10 million from health and well-being services for the first year, subject to 20% increment in each year thereafter. The revenue projection was provided by the Health Center JV Partner which currently has an extensive membership and retail network in places including Hebei Province and Beijing City, in anticipation of business synergy between its existing membership and the attractions presented by the various function zones of the Project Development.	To be financed by Health Center JV Partner, with a commitment of not less than RMB3.5 million	by the end of 2018	– Membership fees, product sale and all paid services in the center will be the key income source. – Profit will be shared between Beijing Fanxing and Health Center JV Partner at a rate of 30% and 70%, respectively.
6	Eco-parks (生態園)	1. The Ecopark-A will include establishment of a conservation forest focusing on rare species such as taxus chinensis（紅豆杉）, red cypress pine（赤柏松）and ginkgo trees（銀杏樹）. 2. The Ecopark-B will consist of ecological ranch, ecological valley, farming experience center, natural park and theme museums, hosting various wildlife species and cultivated plants. 3. Part of the areas of the two eco-parks will be surrounded by walls, managed separately and subject to admission tickets, but other parts of the two eco-parks will be open to public free of charge.	approximately 851.0 Chinese mu	– 福建順昌春蘊生態農業發展有限公司(Fujian Shunchang Chunyun Ecological Agriculture Development Co., Ltd.*) (i.e. Ecopark-A JV Partner) – 山東綠鑫春生態農業發展有限公司 (Shandong Luxinchun Ecological Agriculture Development Co., Ltd.*) (i.e. Ecopark-B JV Partner)	5 years	– Ecopark-A JV Partner and Ecopark-B JV Partner are responsible for overall project construction and operation of the respective projects, and shall use their best endeavors to achieve 300,000 visitors per year for each eco-park. – Beijing Fanxing is responsible for applying for government subsidies to the eco-park, all of which will be transferred to the respective project partner for construction of the park. The constructed facilities or purchased equipment as financed by the subsidies shall be transferred to Beijing Fanxing at nil consideration upon expiry of the agreement.	To be financed by the project partners, with a commitment of not less than RMB5 million for each eco-park	by the end of 2018	– Rents and admission tickets will be the key income source. – Profit will be shared between Beijing Fanxing and the respective project partner at a rate of 50% and 50%, respectively.

	Function zone	Summary	Site area	Project partners	Duration of cooperation	Cooperation model	Estimated investment *(Note 1)*	Estimated commercial operation date *(Note 2)*	Revenue model
7	Aviary and tropical rainforest (鳥語林及熱帶雨林)	The Aviary will include 356.45 Mu of bird habitat separated by artificial nets. There will be nearly 2,000 birds of approximately 100 bird species including peacock, red-crowned crane (丹頂鶴), ostrich and egret, and tourists can watch and feed the birds in the forest. The thermostatted tropical rainforest will consist of approximately 100 plant species, including various tropical plants introduced from Thailand, Malaysia, Indonesia and other Southeast Asian countries as well as southern China. Part of the areas of the aviary will be surrounded by walls, managed separately and subject to admission tickets, but other parts of the aviary will be open to public free of charge.	approximately 356.5 Chinese mu	南寧第一生活廣告有限公司 (Nanning First Life Advertising Co., Ltd.*) (i.e. Aviary JV Partner)	5 years	– Beijing Fanxing is responsible for design of the overall plan. – Aviary JV Partner is responsible for operation, management and maintenance of the Aviary and typical rainforest.	To be financed by Aviary JV Partner, with a commitment of not less than RMB4 million	by the end of 2018	– Admission tickets will be the key income source. – Profit will be shared between Beijing Fanxing and Aviary JV Partner at a rate of 40% and 60%, respectively.
8	Sports park (體育主題園)	The Sport Center will offer venues and programs for mountain and jungle sports, including mountaineering, paragliding, rope net climbing, cross-country bike, trail walk, etc. supported by onsite professional coaching. Part of the areas of the sports park will be surrounded by walls, managed separately and subject to admission tickets, but other parts of the sports park will be open to public free of charge.	approximately 402.3 Chinese mu	福州開發區玄曄工貿有限公司 (Fuzhou Development Zone Xuanye Industry and Trade Co., Ltd.*) (i.e. Sports Center JV Partner)	5 years	– A co-delineated land parcel will be delivered by Beijing Fanxing to Sports Center JV Partner to design a plan suitable for land use, apply for construction permit, construct and operate the park. – Sports Center JV Partner shall finance equipment and facility purchases for the park, and use its best endeavors to achieve an annual revenue exceeding RMB20 million. – Beijing Fanxing is responsible for admission ticket sale and collecting fees for all paid services in the sports park. – The parties will work together to achieve total annual revenue of RMB8 million for the first year, incremental at 10% per year thereafter. – At the end of the cooperation period, the land parcel will be surrendered by the Sports Center JV Partner back to Beijing Fanxing at nil consideration.	To be financed by Sports Center JV Partner, with a commitment of not less than RMB4 million	by the end of 2018	– Admission tickets and all paid services in the park will be the key income source. – Profit will be shared between Beijing Fanxing and Sports Center JV Partner at a rate of 30% and 70%, respectively.

Notes:

1. Beijing Fanxing will invest RMB15 million in improvements of environment in the school practice base, the health and well-being center, the ecological park, the aviary and tropical rainforest and the sports park.

2. The construction work required to commence operation includes, but limited to, foundation work, building construction and improvement of surrounding environment.

3. This figure merely refers to the area of the studio city, excluding the size of area of the shooting spots to be built in each function zone. In addition, Beijing Fanxing may also lease other areas and/or buildings of the Land which is outside the zone of studio city (e.g. eco-parks and aviary) to shooting crews upon request.

4. The studio city is expected to commence commercial operation by end of 2019, while the outdoor shooting spot in each zone will be constructed by stages in 2020 and 2021.

5. The rents charged by Beijing Fanxing over F&B JV partner is calculated based on the following rates:

   Existing hotel: RMB3 per square meter per day

   New hotel: RMB4 per square meter per day

   Staff dormitories: RMB2 per square meter per day

   The rents will be subject to 5% increase from the third year, and additional 5% increase for every two years thereafter.

The development of the Land is divided into three stages. The first development stage includes the construction of all function zones other than the self-operated studio city, which is expected to be completed and be ready for partial opening and operation by the end of 2018. The second development stage mainly comprises the construction of the studio city and is expected to be completed by the end of 2019. The last development stage includes the construction of outdoor shooting spot in each function zone (other than the studio city) and is expected to commence operation by stages in 2020 and 2021.

As advised by the management of the Target Company, Beijing Fanxing shall deliver vacant possession of a co-delineated land parcel to each of Extracurricular Center JV Partner and Sports Center JV Partner to enable them to construct the Extracurricular Center and the Sports Center. In return, Extracurricular Center JV Partner and Sports Center JV Partner shall be responsible for the design, construction and operation of the Extracurricular Center and the Sports Center, respectively. In addition, all the capital required for the construction, equipment purchases, working capital and operation of the Extracurricular Center and the Sports Center will also be borne by Extracurricular Center JV Partner and Sports Center JV Partner, respectively. The term of the Extracurricular Center Formal Agreement and the Sports Center Formal Agreement (the "**Term**") is 5 years commencing from 1 January 2018 and ending on 31 December 2022. Unless the relevant parties mutually agree to extend the Term, the operation right of the Extracurricular Center and the Sports Center, together with the equipment and facilities, will be surrendered by the joint venture partners back to Beijing Fanxing at nil consideration after completion of the Term. Having considered that (i) Extracurricular Center JV Partner and Sports Center JV Partner will bear all the capital required for the construction, equipment purchases, working capital and operation of the Extracurricular Center and the Sports Center; and (ii) the operation right of the Extracurricular Center and the Sports Center, together with the equipment and facilities, will be taken over by Beijing Fanxing at nil consideration after completion of the Term, the Directors consider that the arrangement under the Extracurricular Center Formal Agreement and the Sports Center Formal Agreement can, on one hand, lower the capital contribution of Beijing Fanxing to the development of the Land and on the other hand, enable Beijing Fanxing to share the profit to be derived from the operation of the Extracurricular Center and the Sports Center with Extracurricular Center JV Partner and Sports Center JV Partner, and is therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, neither the Company nor Beijing Fanxing had any intention to dispose of any right in any co-delineated land parcels to Extracurricular Center JV Partner or Sports Center JV Partner. If the Acquisition proceeds to completion and the Company later decides to dispose of the right in any part of the Land to any third party (including any cooperation partners), such transaction will be conducted at fair market value following arm's length negotiation on the disposal consideration in compliance with the Listing Rules.

The total investment cost of Beijing Fanxing amounts to approximately RMB97.1 million, which is expected to be financed by its internal financial resources, external borrowings and/or equity fund-raisings, and will be injected by stages in accordance with the following preliminary schedule:

	Investment cost to be injected by Beijing Fanxing *(RMB'000)*	**Principal use of investment cost**
By end of 2018	15,000	Foundation work and improvement of overall environment
2019	35,000	Construction of studio city and media production centre, and improvement of overall environment
2020	27,000	Construction of outdoor shooting spot in each function zone (save for studio city) and purchase of video equipment and special shooting equipment upon request of shooting crews
2021	20,100	Construction of outdoor shooting spot in each function zone (save for studio city) and upgrading video equipment and special shooting equipment upon request of shooting crews

Taking into account (i) the latest development plan of the Land, where all function zones will be completed and be ready for partial opening and operation by end of 2019; (ii) the Consideration for the Acquisition of HK$340 million; (iii) the estimated investment cost of Beijing Fanxing of approximately RMB97.1 million; and (iv) the estimated revenue and operating cost of the Project, it is expected that the payback period of the Acquisition is about 9 years. Having considered the estimated payback period of the Acquisition of about 9 years, coupled with the fact that the Lease Period of the Land is 50 years commencing from 30 December 2008 and up to 30 December 2058, the Directors believe that the Project will provide a stable revenue stream to the Group for a long run, and that the Acquisition and the Project are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

The development plan of the Project was submitted to the local government for their approval in September 2017. Since then, the management of the Target Company and the Company has conducted regular meetings with local government to follow up on the approval process. In early December 2017, Beijing Fanxing was notified that the master plan of the Project is permissible under the use of the Land and that the construction of movable ancillary equipment and passage over the Land which is consistent with the use of the Land may start any time, provided that the construction of permanent building infrastructure of individual function zones are still subject to the grant of collective constructed land (集體建設用地) as part of the constructed land allocation of Ligezhuang Village. In mid-December 2017, Beijing Fanxing notified the joint venture partners to commence work of movable equipment on the various function zones. However, due to the cold weather in Fanshan District, Beijing causing frozen soil in the Land since mid-December 2017, actual construction of passage and movable equipment of the various function zones is expected to commence when weather gets warmer in April 2018. The weather and delay in construction are not expected to cause any serious delay in the opening time of the various function zones of the Project Development. Design safety, constructor qualifications and equipment safety approvals, and the repair and re-development construction works of the Project will commence after the obtaining such approval. Barring unforeseen adverse weather conditions during winter time in Beijing, the repair and re-development construction works are expected to be partially completed between the second and third quarters of 2018.

The time and procedures required for the grant of constructed land for permanent building structures for the various function zones are within the contemplation of the design and timetable of the Project. The first phase construction of the various function zones does not depend on the grant of constructed land and any permanent building structures. The procedures regarding the grant of constructed land for second to third phases will run in parallel with the first phase construction and operation of the Project.

Licenses and approvals required for operations such as plants and animals species preservation, content of printed publication, movie, performing arts and training materials, fire safety, hygiene standards and plant quarantine will be applied for after completion or substantial completion of the construction works of the various function zones of the Project. Under the terms of the cooperative agreements with the business partners of these function zones, the obtaining of post-construction operating approvals and licenses are essentially the contractual obligations of the cooperative partners rather than the Target Company. Post-construction operating license applications are expected to be submitted between the second and third quarters of 2018, and expected to be successfully obtained between the third and fourth quarters of 2018. The Company is not currently aware of any difficulties or obstacles in satisfying the prerequisites for the relevant licenses and approvals for the construction, opening and operation of the Project.

Management team

Set forth below is the biographical details of the existing management team of the Target Group based on the information provided by the Vendors:

Ms. Lin, aged 60, was appointed as a director of the Target Company on 30 August 2016. Ms. Lin is responsible for the management of the Target Group, and external investment and financing. Prior to joining the Target Group, Ms. Lin held position in the Administration for Industry and Commerce of Fujian, the PRC from 1990 to 2000 as principal staff member, and has extensive experience in investment and management of enterprises engaging in the areas of forest farms and tourism since 2001.

Ms. Cai, aged 59, was appointed as a director of the Target Company on 29 December 2016. Ms. Cai is responsible for the management and operation of the Project. Ms. Cai has extensive experience in investment and operation of mining and farm businesses.

Mr. Lin Chi, aged 36, was appointed as a director of Wahshi Enterprises and an executive director of Fujian Huashi on 16 September 2015. Mr. Lin is responsible for the coordination and communication with the external business partners of the Project and the preparation work of the Project. Mr. Lin has extensive experience in investment and management of entertainment, hotel and catering industries.

Ms. Zou Huifang, aged 40, was appointed as an executive director of Beijing Fanxing on 19 August 2016. Ms. Zou is responsible for the coordination and communication with the external business partners of the Project and the preparation work of the Project. Ms. Zou has extensive experience in investment and management of advertising, internet operation, beauty and health, and agricultural industries.

After Completion, the Group intends to retain the existing management team of the Target Group and to appoint three executive Directors to join the board of directors to participate in the management and operation of the Target Group. The biographical details of the executive Directors are as follows:

Mr. Siuming Tsui, aged 64, is the chief executive officer and an executive Director. Mr. Tsui is a famous movie director and producer in Hong Kong. He is the founder and the president of Hong Kong Television Association, was awarded in 2013 "World Outstanding Chinese" by the World Chinese Business Investment Foundation. Mr. Tsui holds a Master degree from Jinan University and an honorary doctorate from Northern University of the USA. Mr. Tsui has extensive experience in operations management, and has served as senior vice president of Asia Television Limited, chief executive of the Emperor Motion Pictures Group, executive director of i-Cable Entertainment Limited, chief operating officer of i-Cable Satellite Television Limited and president of Sundream Motion Pictures Limited. His film and television work has won several awards. Mr. Tsui has held directorship in China Trends Holdings Limited (Stock Code: 8171) in the last three years preceding the Latest Practicable Date. Mr. Siuming Tsui was appointed as an executive Director of the Company on 6 December 2015 and was appointed as the chief executive officer on 29 January 2016.

Mr. Chen Zhi, aged 52, is an executive Director. He is a qualified accountant as conferred by the Ministry of Finance. Mr. Chen was a cadre of the Fuzhou Minhou Tax Bureau from 1982 to 1989 (during which he was granted leave from 1985 to 1988 to pursue his studies at Fujian Radio and Television University), deputy section chief of the Fuzhou Economic and Technology Development Area Tax Bureau from 1989 to 1993, and subsequently the section chief from 1993 to 2002. He joined the Group in 2003 and pioneered the distinctive business model of cooperating with newspaper partners to provide integrated print media services to advertisers, undertook the main decision-making role in the management of the Group's overall operations and oversaw the strategic development of the Group. He appointed as the chairman, chief executive officer and an executive Director of the Company on 9 December 2009, resigned as the chief executive officer of the Company on 29 January 2016 and resigned as the chairman of the Company on 25 February 2016. Mr. Chen has accumulated more than ten years of relevant experience from developing the business of the Group and possesses a deep understanding of the PRC print media and advertising industries. Mr. Chen graduated from Fujian Radio and Television University in 1988 with a diploma in financial economics. He is also a director of TopBig International Development Limited.

Mr. Yu Shi Quan, aged 41, is an executive Director and the chief financial officer. He is a qualified accountant as conferred by the Ministry of Finance. Mr. Yu was an accountant at Fujian Lan Tian Tax Accounting Co., Ltd. from 1996 to 1997, the finance director of Fujian Huanyu Investment Development Co., Ltd from 1997 to 1998 and the finance director of Fujian ShiFang Investment Co. Ltd. ("**Fujian ShiFang**") from 1998 to 2000. He joined the Group in 2000 and was head of finance of Fujian ShiFang until 2008 when he became the head of finance of Olympia Media, and, subsequently, vice president of finance of China TopReach Inc. in 2009, and was appointed as Director of the Company on 20 December 2011. He graduated from Fujian Radio and Television University in 1996 with a diploma in finance and accounting. Mr. Yu has gained significant management experience from his work with the overall financial operations of the Group and was appointed as the chief financial officer of the Group on 9 June 2014.

Riding on the extensive experience in film and television entertainment production and management as well as the influence of the Group's management team, particularly Mr. Siuming Tsui, the Company considers that the Group possesses sufficient experience and expertise to manage and operate the Target Group if the Acquisition proceeds to Completion. In addition, the Company will consider further reinforcing its management team and labour by recruiting experienced managers and staff engaging in studio, media and performing arts, eco-tourism parks, hotels, and/or health and well-being, depending on the development and business needs of the Target Group from time to time.

Employee

As at the Latest Practicable Date, the Target Group had 8 employees. The Target Group plans to recruit additional 69 employees in the next 5 years, so as to meet the operational needs.

The following table sets forth the breakdown of new employees to be recruited in the next 5 years by job nature:

<table>
<tr><th></th><th>Marketing</th><th>Customer services</th><th>Technical supporting</th><th>Finance and administration</th><th>Cleaning workers</th><th>Maintenance</th></tr>
<tr><td>Studio city</td><td>6</td><td>19</td><td>10</td><td rowspan="8">5
(Note)</td><td rowspan="8">9
(Note)</td><td rowspan="8">4
(Note)</td></tr>
<tr><td>Media and performing art training center</td><td>2</td><td>5</td><td>1</td></tr>
<tr><td>School practice base</td><td>–</td><td>1</td><td>–</td></tr>
<tr><td>Hotels</td><td>1</td><td>2</td><td>–</td></tr>
<tr><td>Health and wellbeing center</td><td>–</td><td>1</td><td>–</td></tr>
<tr><td>Eco-park</td><td>–</td><td>1</td><td>–</td></tr>
<tr><td>Aviary and tropical rainforest</td><td>–</td><td>1</td><td>–</td></tr>
<tr><td>Sports park</td><td>–</td><td>1</td><td>–</td></tr>
<tr><td></td><td>9</td><td>31</td><td>11</td><td>5</td><td>9</td><td>4</td></tr>
</table>

Note: These employees are general administrative staff, and will not be assigned to any specific zone.

It is expected that the appointment of new employees would incur additional staff cost of approximately RMB8.0 million per year.

Licenses and approvals

I. Licenses and approvals required for constructions

In March 2013, the PRC government promulgated the Certain Opinions on Regulating the Development of Theme Park*（關於規範主題公園發展的若干意見）(the "**Opinions**") to regulate the development of theme parks in the PRC. Under the Opinions, theme parks are described as a park area with the following features: (i) constructed for the purpose of profit-making with specific level of land area and investment; (ii) managed in an enclosed manner; (iii) having one or more specific cultural and tourism themes; and (iv) providing visitors with paid leisure experience, cultural entertainment products or services. According to the Opinions, theme parks are classified into three categories according to the scale of development area and/or investment of the parks:

Category	**Scale of area and investment**	**Approval authority** *(Note)*
Extra Large	the planned or actual area is not less than 2,000 mu, or the planned or actual investment amount is not less than RMB5 billion	the PRC State Council
Large	the planned or actual area is less than 2,000 mu but not less than 600 mu, or the planned or actual investment amount is less than RMB5 billion but not less than RMB1.5 billion	Competent Investment Department of the State Council（國務院投資主管部門）
Small to Medium Size	the planned or actual area is less than 600 mu but not less than 200 mu, or the planned or actual investment amount is less than RMB1.5 billion but not less than RMB200 million	Competent Investment Department of provincial level（省級投資主管部門）

Note: The developer of theme parks shall submit application to the relevant authorities for construction approval.

Based on the design planning of the Project Development, the development of the Land will mainly make use of the natural landscapes rather than the artificial landscapes, and the Land, on an overall basis, will be open to public without taking admission tickets for entrance. It is only certain parts of certain function zones (such as the studio city, the school practice base, the two eco-parks, the aviary and tropical rain forest and the sports park) which are paid area with admission tickets and such admission tickets form only one of the income source rather than the main income source of the Project. Each paid zone shall be managed separately by the relevant joint venture partner, with an area of less 200 Chinese mu, and with planned investment amount of less than RMB200 million. In addition, the management of the Company and the Target Company attended an interview with the local government authority in Fangshan District responsible for project establishment of the Project Development and were given to understand that the Project Development is in line with the first national policy statement in China for the year 2018 about making significant progress in rural rejuvenation by 2020, agricultural modernization by 2035 and the strong agriculture sector and full realization of farmers' wealth by 2050 and that the planning and construction of the Project Development does not fall under the ambit of the Opinions regarding theme parks. On that basis and together with the legal advice obtained by the Company from its PRC legal advisers, the Company is of the view that the overall Project Development is not subject to the approval processes referred to in the Opinions.

During the project development stage, land planning and land use procedures shall be completed and the application for project initiation shall be submitted and approved according to law before the project construction and development process commences, subject to the relevant planning and construction permits granted. Upon completion of the project, the completion check and acceptance process shall be completed and filed.

	Official filings, licenses or approvals	**Issuing authorities**	**Application conditions**	**Time required for approval processing**
1	Filing of Investment Projects (Approval of Investment Projects) (投資項目立項備案《項目核准批覆》)	Beijing Fangshan Municipal Commission of Development and Reform (北京市房山區發展和改革委員會)	1. Submit the project plan. 2. For construction of agricultural production facilities on a land parcel designated for agricultural facilities, the investment project filing and other planning and construction permits in items 1 to 5 are not required.	Filing is completed upon submission, no approval is required
2	Construction Project Planning Permit (建設項目工程規劃許可證)	Beijing Municipal Commission of Urban Planning, Fangshan Branch (北京市規劃委員會房山分局)	1. Provide supporting documents for land use right. 2. Provide supporting documents for the project plan and its compliance with the planning requirements.	20 – 30 business days

	Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
3	Construction Project Construction Permit (建設項目施工許可證)	Fangshan District Commission of Housing and Urban-Rural Development of Beijing Municipality (北京市房山區住房和城鄉建設委員會)	1. Complete the approval procedures for construction land use. 2. Submit the evidence supporting that the construction site meets the planning requirements and the contractor has been identified. 3. Provide the evidence for the source of construction funds. 4. Other relevant documents relating to quality, technology, safety and supervision management of construction project.	8 business days
4	Construction Project Completion Check and Acceptance and Recordation (建設項目竣工驗收及備案)	Fangshan District Commission of Housing and Urban-Rural Development of Beijing Municipality (北京市房山區住房和城鄉建設委員會)	1. Provide the evidence supporting that the works in the project design plan and the construction contract have been completed. 2. Provide the quality conformity documents issued by relevant government authorities. 3. Provide the work warranty documents signed by the constructor.	5 business days
5	Construction Project Registration of Property Rights (建設項目產權登記)	Beijing Municipal Real Estate Registration Centre, Fangshan Branch (北京市不動產登記事務中心房山分局)	1. Provide the evidence supporting that Construction Project Planning Permit (建設項目工程規劃許可證) has been granted for the project. 2. Provide the evidence supporting that the project has passed the completion check and acceptance. 3. Obtain the confirmatory documents on conclusion of real estate property right investigation.	30 business days

II. Licenses and approvals required for operation

The licenses and approvals below shall be obtained after the completion check and acceptance process is completed for relevant sites and before the corresponding projects officially commence operation, in order to meet the requirements of relevant laws and government authorities.

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
Studio city	1	Fire Safety Permission for Public Gathering Place Before Putting Into Use or Opening (公眾聚集場所使用或開業前消防安全許可)	Beijing Municipal Fire Services Team, Fangshan District (北京市房山區公安消防支隊)	1. The project has passed the fire control design review and acceptance check. 2. Provide the evidence supporting that the fire safety management and training system is in place and a dedicated fire control officer has been appointed.	5 days
	2	License for Entertainment Business (娛樂經營許可證)	Culture Committee of Fangshan District, Beijing (北京市房山區文化委員會)	1. Provide the evidence supporting that the scope of business contains amusement, entertainment, electronic amusement and entertainment and other relevant description. 2. The project has passed the fire safety inspection. 3. The project shall have a gross floor area of not less than 500 sq.m.. 4. Obtain the fire safety conformity certificate as well as environmental protection and other certificates before opening for operation.	20 business days
	3	Filing of Qualification of Entertainment Premises (娛樂場所營業資格備案)	Public Security Bureau of Fangshan District, Beijing City (北京市公安局房山分局)	File with competent authorities after obtaining the License for Entertainment Business.	Immediate processing upon satisfaction of condition
	4	Registration of Use of Special Equipment (特種設備使用登記許可)	Quality and Technology Administration of Fangshan District, Beijing (北京市房山區質量技術監督局)	1. Obtain the installation supervision and inspection report on amusement equipment that is classified as special equipment. 2. Provide the factory certificate of equipment.	30 business days

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
	5	License for Publication Business (出版物經營許可證)	Culture Committee of Fangshan District, Beijing (北京市房山區文化委員會)	1. Possess the appropriate business premises, and provide the certificate of business premises. 2. Have an appropriate safety and fire management system in place, as well as other documents in relation to the fire safety responsible officer and the site plan.	20 business days
	6	License for Film Screening Business (電影放映經營許可證)	Film Administration Bureau of Fangshan District, Beijing (北京市房山區電影行政部門)	1. Provide relevant information on the film distributor. 2. Have the organization and professionals required for the business scope. 3. Possess the funding, premises and equipment required for the business scope.	20 business days
	7	License for For-profit Performance (營業性演出許可證)	Culture Committee of Fangshan District, Beijing (北京市房山區文化委員會)	1. Obtain the approvals required for the safety of relevant performance. 2. Have a list of definite performance teams or individuals and actors.	3 business days
Media and performing art training center	1	Approval for Private Training Institutions (民辦培訓機構審批)	Human Resources and Social Security Bureau of Fangshan District, Beijing (北京市房山區人力資源和社會保障局)	1. Have the articles of association for private training institution in place, with the established decision-making body and mechanism. 2. Possess definite assets and source of funding, as well as appropriate premises, teacher requirements, facilities and equipment. 3. Have a business plan including teaching plan and syllabus in place, which shall have passed the expert panel review by competent authorities.	3 months

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
Hotels	1	License for Special Industries (Hotel and Guesthouse Accommodation) (旅館業特種行業許可證)	Public Security Bureau of Fangshan District, Beijing (北京市公安局房山分局)	1. Obtain the ownership certificate or lease agreement for the business premises. 2. Pass the construction quality and safety examination for the business premises. 3. Pass the fire safety examination.	10 business days
	2	Hygiene License (衛生許可證)	Hygiene and Birth Control Committee of Fangshan District, Beijing (北京市房山區衛生和計劃生育委員會)	1. Provide information in relation to hygiene management system. 2. Provide hygiene inspection results for business premises, evaluation report and other application materials required.	20 business days
	3	License for Food Production (食品生產許可證)	Food and Drug Administration of Fangshan District, Beijing (北京市房山區食品藥品監督管理局)	1. Provide information in relation to food production. 2. Pass the onsite examination.	20 business days
Health and well-being center	1	Approval for Establishment of Medical Institutions (設置醫療機構批准書)	Hygiene and Birth Control Committee of Fangshan District, Beijing (北京市房山區衛生和計劃生育委員會)	1. Provide the feasibility assessment on establishment of the institution. 2. Provide information in relation to site selection. 3. Provide the evidence for use of buildings and land.	30 business days
	2	License for Medical Institutions (醫療機構執業許可證)	Hygiene and Birth Control Committee of Fangshan District, Beijing (北京市房山區衛生和計劃生育委員會)	1. Obtain the Approval for Establishment of Medical Institutions. 2. Obtain the building ownership or use certificate. 3. Pass the completion check and acceptance. 4. Have in place the rules and regulations for medical institutions as well as qualified professionals.	10 business days, subject to extension but not more than 45 days

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
	3	Fire Safety Permission for Public Gathering Place Before Putting Into Use or Opening (公眾聚集場所使用或開業前消防安全許可)	Beijing Municipal Fire Services Team, Fangshan District (北京市房山區公安消防支隊)	1. The project has passed the fire control design review and acceptance check. 2. Provide the evidence supporting that the fire safety management and training system is in place and a dedicated fire control officer has been appointed.	5 days
	4	Hygiene License (衛生許可證)	Hygiene and Birth Control Committee of Fangshan District, Beijing (北京市房山區衛生和計劃生育委員會)	1. Provide information in relation to hygiene management system. 2. Provide hygiene inspection results for business premises, evaluation report and other application materials required.	20 business days
Eco-park, aviary and tropical rainforest	1	Check and acceptance of construction of newly built playgrounds/parks (新建公園竣工驗收)	Landscaping Bureau of Fangshan District, Beijing (北京市房山區園林綠化局)	1. The site has been planned for appropriate use, and should in principle have a site area of more than 10,000 sq.m. with appropriate management system and personnel in place. 2. It shall be open to the public, and have functions such as ecological improvement, urban landscaping, sightseeing, recreation, disaster prevention, etc..	14 business days
	2	Inspection of origins of forest plants and products (森林植物及其產品的產地檢疫)	Landscaping Bureau of Fangshan District, Beijing (北京市房山區園林綠化局)	1. Submit the origin quarantine application form. 2. Pass the origin quarantine investigation and indoor inspection.	20 business days
	3	Transfer and quarantine of forest plants and products among provinces, autonomous regions and municipalities (省、自治區、直轄市間調運森林植物和產品檢疫)	Landscaping Bureau of Fangshan District, Beijing (北京市房山區園林綠化局)	1. Submit a declaration to the quarantine station. 2. Pass the spot check and recheck on forestry plants and products.	20 business days

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
	4	License for domestication and breeding of wild life animals (野生動物馴養繁殖許可)	Landscaping Bureau of Fangshan District, Beijing (北京市房山區園林綠化局)	If the operation involves national class I or II key protected wild life animals or Beijing class I key protected terrestrial wild life animals: 1. The source of wild life animal species must be legal, and the supplier must have the legal License for Domestication and Breeding and the License for Operation and Utilization. 2. Provide full names and scientific names of the wild life animals for domestication and breeding. 3. The business premises must be far away from residential areas. 4. Provide the evidence for adequate total funding. 5. Recruit qualified veterinarians, epidemic prevention coordinators and related personnel. 6. Have the preventive measures against escape of animals in place. 7. Have the epidemic prevention measures in place.	5 business days
Sports park	1	Approval for operation of paragliding business and permit for establishment of a paragliding club (經營滑翔傘運動審批及設立滑翔傘俱樂部許可)	Sports Bureau of Fangshan District, Beijing (北京市房山區體育局)	1. The articles of association of the club are in compliance with the laws and regulations of China. 2. Satisfy the site qualifications for paragliding activities. 3. The paragliding airspace has been approved by the local air traffic control authority. 4. Have the qualified paragliding equipment, and one or more coaches with valid paragliding coaching certificate.	Within 30 days

Region		Official filings, licenses or approvals	Issuing authorities	Application conditions	Time required for approval processing
	2	Administrative license for operation of high-risk sports activities (經營高危險性體育項目行政許可)	Sports Bureau of Fangshan District, Beijing (北京市房山區體育局)	1. Have a fixed place of operation. 2. The relevant sports facilities are in accordance with the national standards. 3. Have in place the sports instructors and rescue personnel, as well as relevant management system and accountability measures.	10 business days

The above analysis on licenses and approvals is a preliminary summary and discussion of the submitted project plan, as made in accordance with laws and policy requirements. However, there might be planning adjustments and administrative policy changes as the projects proceed, which may result in changes or adjustments to the approval requirements and procedures for the projects. The specific application requirements are subject to those required by local competent authorities for respective projects, which shall be satisfied in conjunction with relevant laws and policies in practices.

To ensure they can fulfill the above prerequisites, the Company had performed investigations on and had conducted interviews and participated in meetings with the management of the Target Company, their cooperation partners and design and construction contractors, and was given to understand that the Target Company has submitted the development plan of the Project to the local government for their approval in September 2017. Since then, the Company participated in meetings with the Target Company and local government to monitor the progress of the approval process. As explained above, the in-principle approval for the use of the Land for the purposes contemplated in the design plan of the Project was obtained in December 2017. The Company will continue to monitor the Target Company to ensure that design safety, constructor qualifications and equipment safety approvals, and the repair and re-development construction works of the Project will commence after the obtaining of such approval. The obtaining of licenses and approvals required for operations will be applied for after the completion or substantial completion of the construction works of the function zones of the Project, which is principally the responsibility of the business partners of the various function zones under the terms of the cooperative agreements. The Company has taken into account these licenses requirement and prerequisites when assessing the feasibility and prospect of the Project. Based on the results revealed in the Company's checking and monitoring as stated above, the Company is currently not aware of any difficulties and obstacles in obtaining these licenses and approvals.

Taking into account of the above specific actions taken by the Company to ensure that they can obtain the licenses and approvals, and the key prerequisites of the licenses and approvals, based on the project plans currently prepared by the Target Group, so long as the Target Group can duly comply with the relevant applicable laws, rules and policies to satisfy the prerequisites of the relevant licenses (including those in respect of design safety, constructor qualifications, equipment safety, plants and animals species preservation, content of printed publication, movie, performing arts and training materials, fire safety, hygiene standards and plant quarantine), the Company's PRC legal advisers are currently not aware of any circumstances under which any practical legal impediments have existed as to the obtaining of the licenses and approvals stated above.

RISK FACTORS

Set forth below are the risk factors which may be associated with the Acquisition:

Delay in commencement of operation

The business of the Target Group is still in a relatively preliminary stage, and the Target Group requires substantial time to develop the Land into a multi-purpose film studio, media and performing arts training center, resort and eco-tourism park in accordance with the development plan as detailed in the section headed "Development Plan of the Land" above. The construction plan and the commercial operation of the Project may be delayed as a result of various factors, including but not limited to, availability of construction materials, machinery and equipment, or inspection and approval by the relevant local regulatory bodies. If the Target Group encounters any difficulties which lead to the delay in the commencement of operation of the Project, the financial results of the Target Group will be adversely affected.

Significant capital investment

The current development and future operation of the Project may require significant capital investment, and the operating costs may exceed the original budgets and may not achieve the intended economic results or commercial viability. Based on the Vendors' original business plan and projection, the Target Group expects to commence construction of the Land in the first half of 2018 and partially complete construction and be ready for partial opening and operation by the end of 2018. The capital expenditure for the development of the Land was estimated by the Vendors based on the existing development plan. However, actual capital expenditures may significantly exceed the Company's budgets due to various factors beyond the Company's control, which in turn may affect the Company's financial position. If the Company is unsuccessful to raise additional capital as required for the development and operation of the Land, the Company's business operations and financial condition may be materially and adversely affected.

Lack of prior operating history

The Target Group has no operating history on the multi-purpose media, resort and eco-tourism business in the PRC and therefore, may have difficulties in evaluating the prospects, viability and sustainability of the business. The Target Group may not be able to attract sufficient shooting crews to shoot films in, or tourists to visit, the Project Development. In addition, the Target Group may not be able to compete effectively with well-established competitors or new entrants with more resources or experience in the multi-purpose media, resort and eco-tourism business in the PRC. Accordingly, the Target Group's ability to maintain profitability is not proven, and the Target Group may incur loss in the future.

Key qualified personnel and professionals for the operations of the Project

The Target Group's business is managed and operated by a team of professionals having relevant experience and expertise. However, there is no assurance that the Enlarged Group could retain the professional management team after completion of the Acquisition. Any loss of key personnel or failure to recruit and retain personnel for the future operations and development may have a material adverse impact on the business.

Laws and regulations

According to the PRC legal opinion as commissioned by the Company, the business of the Target Group requires licenses and approvals and will be governed by a number of laws and regulations, including but not limited to "Regulations on the Administration of Entertainment Places"(娛樂場所管理條例), "Implementing Regulations for the Law of the People's Republic of China on Non-State Education Promotion"(中華人民共和國民辦教育促進法實施條例), "Provisions of Beijing Municipality on Public Security Administration of the Hotel Industry"(北京市旅館業治安管理規定) and "Regulations on Parks in Beijing Municipality"(北京市公園條例). However, there can be no assurance that the relevant governmental bodies will not change such laws and regulations or impose additional or more stringent laws or regulations, or otherwise undesirable to future development of the film, cultural and tourism focused industry.

Licenses and permits of the Project

According to the PRC legal opinion as commissioned by the Company, the business of the Target Group requires licenses and approvals as summarized in the section headed *"I. Licenses and approvals"* of this circular above. Based on the project plans currently prepared by the Target Group, so long as the Target Group can satisfy the prerequisites of the relevant licenses (including those in respect of design safety, constructor qualifications, equipment safety, plants and animals species preservation, content of printed publication, movie, performing arts and training materials, fire safety, hygiene standards and plant quarantine), the Company's PRC legal advisers are currently not aware of any circumstances under which any practical legal impediments have existed as to the obtaining of the licenses and approvals stated above. However, there is no assurance that all relevant licenses and permits required will be obtained or granted during and upon completion of the construction of the Project.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in the business of publishing and advertising in the PRC.

As reading habits of consumers continued to reshape, the Chinese advertising industry was still undergoing structural adjustments. The unstoppable shift of advertisers from print media to the internet and other new media posed challenges to the newspaper advertising market in 2016. Both the newspaper advertising and printing service businesses of the Group were thus under pressure. As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group recorded loss after tax of approximately RMB56.5 million for the year ended 31 December 2016. Such loss was primarily attributable to (a) the decrease in revenue of the newspaper advertising business, which was resulted from the competition from online new media and the slowdown in the PRC's economic growth; (b) the slower-than-expected development of the online business; and (c) the rise in overheads and rental expenses due to the Group's diversification and business expansion efforts.

The film and television sectors are always powerful engines of the creative industry. According to the 2016 China Cultural Consumption Development Index published by Renmin University of China (中國人民大學), films ranked first among popular cultural products. According to the statistics released by the State Administration of Press, Publication, Radio, Film and Television of the PRC (中國國家新聞出版廣電總局)[1] ("**SAPPRFT**"), the number of film production in the PRC has surged significantly from 392 in 2006 to 944 in 2016. The PRC's box-office receipts grew at a compound annual growth rate ("**CAGR**") of approximately 32.6% from approximately RMB2.6 billion in 2006 to approximately RMB44.1 billion in 2015. Subsequent to the explosive growth in 2015 of approximately 48.7%, the Chinese film industry has begun to gain a steady and healthy growth momentum since 2016. According to the figures released by 中商情報網 (www.askci.com)[2], the PRC's total box-office receipts in the first half of 2017 were approximately RMB27.1 billion, representing a period-on-period increase of approximately 10.34%, while the number of moviegoers reached 779 million, representing a period-on-period increase of approximately 7.75%. Moreover, the Film Industry Promotion Law promulgated on 1 March 2017 not only provides a strong legal protection for the sustainable, healthy and prosperous development of the film industry in the future, but also further regulates the development of the industry, which placed a far-reaching significance for long-term development of the film industry. According to a report named "China Entertainment and Media Outlook 2016–2020"[3], it is anticipated that the PRC's box-office receipts will reach USD15.1 billion (equivalent to approximately RMB98.4 billion, calculated at an exchange rate of USD1.000 to RMB6.519) in 2020.

In respect of television industry, the PRC has the largest number of subscription television households in the world. The subscription television households amounted to 254 million in 2015 and is forecast to reach 299 million in 2020, as noted from the "China Entertainment and Media Outlook 2016–2020". Over 90% of the subscription television households in 2015 came from cable, with the rest from internet protocol television ("**IPTV**"). The total production hours of television programs in the PRC have increased significantly from 2.6 million hours in 2006 to 3.5 million hours in 2016. In 2015 and 2016, SAPPRET and the Ministry of Industry and Information Technology, the PRC (中華人民共和國工業和資訊化部)("**MIIT**") have announced several guidelines in relation to the development of the television industry. In general, SAPPRET will focus on digitizing the television industry from device to network. MIIT will focus on improving broadband connection and boosting internet speed, which will foster the development of IPTV in the next few years. As cited from the "China Entertainment and Media Outlook 2016–2020", television subscriptions revenue is projected to increase at a CAGR of approximately 7.4% from approximately USD16.7 billion in 2015 to approximately USD23.8 billion in 2020.

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1 the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局) is an executive branch under the State Council of the PRC and is principally responsible for the administration and supervision of state-owned enterprises engaged in the television, radio, and film industries.

2 中商情報網 (www.askci.com) is a leading research and advisory provider in the PRC.

3 Source: https://www.pwchk.com/en/publications/china-entertainment-and-media-outlook-2016-2020.html

In view of the emergence of online films and online television series, the Group believes that the prospects of the film, television and cultural market will be promising. With the extensive experience in film and television entertainment production and management as well as the influence of the Group's management team, particularly Mr. Siuming Tsui, an executive Director and chief executive officer of the Company, the Board is of the view that the Acquisition provides a good opportunity for the Group to tap its businesses into multi-purpose media, resort and eco-tourism business in the PRC.

The development plan on the Land includes a film studio, a media and performing arts training centre, a multi-purpose resort and eco-tourism park and guest accommodation for carrying out film and television entertainment production and tourist reception and entertainment business. According to the knowledge of the Directors, it is common for film and television producers in the PRC to shoot films in large studios and many such studios in the PRC have become popular tourist attractions, such as Hengdian World Studios（橫店影視城）in Zhejiang and Three Kingdoms and Outlaws of the Marsh Town（三國演義及水滸傳之城）in Wuxi. In the PRC, a large plot of land area in the magnitude of over thousand mu is normally required for the development of a successful outdoor film studio.

The Land is situated in Beijing City and approximately 40 kilometers away from the city centre, approximately 90 kilometers away from Xiongan New Area（雄安新區）and approximately 130 kilometers away from Tianjin City, with high transportation accessibility to and from all of these areas and Hebei Province. Beijing is the national tertiary education centre of performing arts, film and media. Several well-known universities of performing arts, including Beijing Film Academy（北京電影學院）, the Central Academy of Drama（中央戲劇學院）and the China Central Academy of Fine Arts（中央美術學院）, are located in Beijing. According to the market research and studies conducted by the Company's management as mentioned above, there is a demand for media training center and large outdoor film studios in the vicinity of Beijing City and Hebei Province.

According to Beijing Municipal Bureau of Statistics, Beijing has a total resident population of approximately 21,729,000 in 2016, representing an annual growth rate of approximately 0.9% as compared to that in 2015. Beijing has a high consumer spending level. During the period between 2012 and 2016, the average disposable income per capita of Beijing residents and households increased by approximately RMB16,061 to approximately RMB52,530, representing a CAGR of approximately 9.6%, while the average consumption expenditure per capita of Beijing residents and households increased by approximately RMB11,370 to approximately RMB35,416, representing a CAGR of approximately 10.2%. Due to the economic growth and the gradual improvement in living standards, more residents are willing to increase their leisure spending, and the tourism industry in Beijing is expanding rapidly in recent years.

Chart 1: Total urban population and income and expenditure in Beijing

According to the Beijing Municipal Bureau of Statistics, the total revenue of the key tourist spots in Beijing which are categorised as Grade A or above under National Tourist Attraction Rating Categories (the "**Grade A Spots**") increased significantly from approximately RMB5,863.9 million in 2012 to approximately RMB7,714.9 million in 2016, representing a CAGR of approximately 7.1%. While the total visitors of the Grade A Spots in Beijing increased from approximately 242.8 million in 2012 to approximately 303.5 million in 2016, representing a CAGR of approximately 5.7%. Therefore, it is considered that there is strong demand for tourist and resort parks in Beijing.

The Project site is situated at "West six-ring"(西六環) of Beijing City and is connected to Beijing city center (two-ring) by Highways G107 and G108. The urban growth and development of Beijing city is amongst the quickest in China, as demonstrated by the sharp increase of land auction price and selling price of new residential apartments. In 2016, new residential apartments situated within two to three-ring of Beijing are offered for sale at the average price of RMB84,456 per square meter according to 雲房數據研究中心 (Yunfang Data Research Center*), an independent market research company. In Fangshan district where the Project site is situated, new residential apartments are currently offered for sale at the average price of RMB28,500 to RMB34,000 per square meter. Due to the robust demand of new residential apartments resulted from the population and urban growth in Beijing, Fangshan district, as with other six-ring sub-urban development centers, is expected to become the key urban growth center of Beijing in the coming years.

To support the sub-urban growth of Fangshan district, the government has implemented large-scale infrastructure projects to improve the accessibility of Fangshan district in recent years. The second phase of the extension of highway G108 has commenced operation since September 2017. The third phase of the extension of highway G108 has already been approved by the Urban Planning, Land and Resources Commission of Beijing Municipality and may commence construction any time. In addition, the Beijing metro network is currently constructing extended lines and stations connecting to Fangshan district. The Yanfang Line（燕房線）has commenced operation in December 2017 while the extended Fangshan Line construction（房山線延長工程）is expected to commence operation in the fourth quarter of 2019. The opening of new highway and metro construction at Fangshan district are expected to hugely improve the accessibility of the Project site, whether by way of driving or mass transit from Beijing city center.

The Land is conveniently situated next to Beijing Shihua Caves Niaoyulin, National 4A Tourist Attraction, and approximately 13 kilometers away from the Peking Man Site at Zhoukoudian, a UNESCO World Heritage Site. With the view to promoting and attracting customers, the Target Company signed cooperation agreements with external business partners to develop various business aspects including health center, food and beverage, extracurricular center, sports center, eco-parks, aviary, movie-taking and China Media Education Promotion Association. For further details, please refer to the paragraph headed "Development Plan of the Land" above. Through these cooperation, the Project Company intends to leverage on the established business networks and clienteles of its joint ventures partners in respect of the various function zones of the Project.

Based on the Vendors' original business plan and projection, the Project expects to commence construction of the Land in the first half of 2018 and partially complete construction and be ready for partial opening and operation by the end of 2018. The estimated capital expenditure for the first-stage development of the Land in 2018 is approximately RMB15,000,000. The business and construction plan, opening timetable and budget will be subject to the Group's further review if the Acquisition proceeds to completion. However, assuming that the first-stage development budget remains unchanged, the Group intends to finance such construction and development costs through internal resources, external borrowings and/or equity fund-raisings. In view of the business prospect of the Land and the Project, the Directors consider that the Acquisition offers a good opportunity for the Group to diversify the revenue stream of the Group.

Having considered the above, the Directors are of the view that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set forth below are the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the allotment and issue of the Consideration Shares:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Chen Zhi *(Note 1)*	166,394,696	9.57	166,394,696	7.27
Mr. Shi Jianxiang	186,850,000	10.75	186,850,000	8.17
Mr. Yu Shi Quan	892,196	0.05	892,196	0.04
Vendor A *(Note 2)*	–	–	50,000,000	2.19
Vendor B *(Note 3)*	–	–	100,000,000	4.37
Vendor C *(Note 4)*	–	–	100,000,000	4.37
Vendor D *(Note 5)*	–	–	100,000,000	4.37
Vendor E *(Note 6)*	–	–	100,000,000	4.37
Vendor F *(Note 7)*	–	–	100,000,000	4.37
Public shareholders	1,383,859,229	79.62	1,383,859,229	60.48
Total:	1,737,996,121	100.00	2,287,996,121	100.00

Notes:

1. This represents the aggregate of (i) 7,032,655 Shares personally held by Mr. Chen Zhi, an executive Director, and (ii) 159,362,041 Shares owned by TopBig International Development Limited, a controlled corporation wholly owned by Mr. Chen Zhi.

2. The sole shareholder and director of Vendor A is Mr. Zhang.

3. The sole shareholder and director of Vendor B is Ms. Lin.

4. The sole shareholder and director of Vendor C is Ms. Sun.

5. The sole shareholder and director of Vendor D is Ms. Guo.

6. The sole shareholder and director of Vendor E is Ms. Cai.

7. The sole shareholder and director of Vendor F is Ms. Luo.

8. Any discrepancies in the table above between totals and sums of amounts set out in it are due to rounding.

Pursuant to the Acquisition Agreement, the Consideration will be partially settled by way of allotment and issue of 550,000,000 Consideration Shares upon Completion. As illustrated in the table above, the shareholding of the existing public Shareholders would be reduced from approximately 79.62% as at the Latest Practicable Date to approximately 60.48% immediately after the allotment and issue of the Consideration Shares, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the allotment and issue of the Consideration Shares.

Notwithstanding the dilution impact on the shareholding of the existing public Shareholders as a result of the allotment and issue of the Consideration Shares, the Directors are of the view that the issuance of the Consideration Shares is a preferred method to settle part of the Consideration given that (i) unlike debt financing, issue of the Consideration Shares would not incur interest cost nor require pledge of the Group's assets as collateral; and (ii) as compared to other equity financing methods (such as open offer or rights issue), the allotment and issue of the Consideration Shares is relatively less cost and time-consuming, and do not involve preparation and filing of prospectus and other related documents. In addition, the significant portion of the Consideration will be settled by way of cash and issue of the Promissory Note, which can reduce the dilution impact on the shareholding of the existing public Shareholders from the issuance of any additional Consideration Shares. Having considered the above, coupled with (i) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition", and (ii) the Issue Price being fair and reasonable, the Directors are of the view that the dilution effect to the shareholding interest of the existing Shareholders is justifiable in the circumstances after balancing all factors.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become indirect wholly owned subsidiaries of the Company. The results, assets and liabilities of the Target Group will then be consolidated into the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular illustrates the financial effects of the Acquisition on the assets and liabilities of the Enlarged Group assuming Completion had taken place on 30 June 2017.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total assets of the Enlarged Group as at 30 June 2017 will increase from approximately RMB333.26 million to approximately RMB549.69 million as a result of the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the total liabilities of the Enlarged Group as at 30 June 2017 will increase from approximately RMB65.53 million to approximately RMB197.59 million as a result of the Acquisition.

Earnings

As set out in the accountant's report of the Target Group in Appendix II to this circular, net loss of the Target Group attributable to owners of the Target Company for the period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 and for the nine months ended 31 December 2017 were approximately RMB677,000 and approximately RMB3,232,000, respectively. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial result of the Target Group will be consolidated to the Enlarged Group's financial statements. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the Enlarged Group would incur an estimated transaction cost relating to the Acquisition of approximately RMB4.0 million.

Shareholders should note that the above figures are for illustrative purpose only. The actual effect on the assets and liabilities and earnings of the Enlarged Group may be different from the above and the differences may be significant.

LISTING RULES IMPLICATION

The relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%. Accordingly, the Acquisition constitutes a major acquisition for the Company under Chapter 14 of the Listing Rules and is subject to reporting, circular and shareholders' approval requirements under the Listing Rules.

(2) MAJOR TRANSACTION RELATING TO THE FIRST RIGHT OF REFUSAL OVER THE PROJECT ASSETS

Under the Assignment and the New Lease, Beijing Fanxing has taken over all rights and obligations of the Original Tenant under the same terms of the Original Lease with effect from 1 January 2017. If the Acquisition proceeds to Completion, Beijing Fanxing, which is bound by the Project Assets FROR exercisable by the Land Owner if it decides to sell the Project Assets, will become an indirect wholly-owned subsidiary of the Company.

The Project Assets FROR is the first right of refusal to acquire the Project Assets at the same acquisition terms (except the acquisition price) as offered by Beijing Fanxing to a third party buyer at an acquisition price which is determined according to the valuation conducted by a valuer, exercisable by the Land Owner if the lease over the Land is modified, terminated, released or expired and if Beijing Fanxing decides to sell the Project Assets to any third party buyer. The Project Assets FROR may be regarded as an option which is exercisable (albeit conditionally) at the discretion of the Land Owner on the expiry of the Lease Period in 2058. As the fair market value of the Project Assets cannot be determined before the expiry of the Lease Period, under Rule 14.76(1) of the Listing Rules, the Project Assets FROR should be classified as at least a major transaction for the Company, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Acquisition proceeds to Completion and if the Company decides to sell the Project Assets (such as if the lease over the Land is modified, terminated, released or expired beyond the control of the Company and if the disposal of the Project Assets is the only viable solution for the Company to realize its investment in the Project Assets), the Company will re-comply with the Listing Rules in respect of the disposal of the Project Assets (including the possible exercise by the Land Owner of the Project Assets FROR). Based on the legal advice obtained by the Company from its PRC legal advisers, while the renewal of the New Lease in 2058 is beyond the control of the Company, the disposal of the Project Assets is within the Company's control. Therefore, the Board considers that the Company will be able to re-comply with the Listing Rules (including without limitation to obtain shareholders' approval again) if the disposal of the Project Assets (including the possible exercise by the Land Owner of the Project Assets FROR) falls within a higher classification of notifiable transaction.

Shareholders should note that the Project Assets FROR, to which Beijing Fanxing was already contractually committed, is part and parcel of and cannot be segregated with the Acquisition. Shareholders are advised to read the terms of the Project Assets FROR as summarized in this circular before making a voting decision on the Acquisition.

(3) THE YONGTAI PROJECT TRANSACTIONS

THE FRAMEWORK AGREEMENT

On 15 September 2017 (after trading hours), Shifang Ysolde (a direct wholly-owned subsidiary of the Company) entered into the Framework Agreement with Yongtai Government pursuant to which Yongtai Government agreed to form a long-term strategic cooperation with Shifang Ysolde regarding the development and operation of the Yongtai Project.

The principal terms of the Framework Agreement are set out below:

Date

15 September 2017

Parties

Party A: Yongtai Government

Party B: Shifang Ysolde

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yongtai Government is an Independent Third Party.

The Yongtai Deposit

Under the Framework Agreement, Shifang Ysolde has on 26 September 2017 paid the Yongtai Deposit of RMB50 million (equivalent to HK$59.52 million) to Yongtai Government, which was financed by the Group's internal cash resources.

The Yongtai Deposit is refundable in nature. Under the terms of the Framework Agreement, Shifang Ysolde shall actively participate (through itself, funds managed by the Company or their respective subsidiaries) in open tender auctions of (i) land use right of other commercial construction lands(建設用地)within the Yongtai Project Site; (ii) agriculture or forestry lands within the Yongtai Project Site by way of long-term lease(農地林地長期租賃); and (iii) operation right circulation, and the Yongtai Deposit can be applied for settlement of any of these three types of acquisitions. Based on the legal advice obtained by the Company from its PRC legal advisers, as a matter of construction of the terms of the Framework Agreement, any unutilized amount of the Yongtai Deposit should be liable to be refunded so long as the Company (either through itself or through related funds) participates in such open tender auctions.

The Yongtai Project Site and the Scenic Area

The Yongtai Project Site is the site designated by Yongtai Government for the construction of the distinctive small town under the Yongtai Project and is located at the northern part of Geling Town(葛嶺鎮)having a site area of approximately 15.6 square kilometers (23,400 Chinese mu). The Yongtai Project Site is conveniently situated at 45 kilometers from downtown of Fuzhou City with a driving distance of around 30 minutes, and is connected to the Fuzhao Highway(福詔高速公路). The Yongtai Project Site includes the famous Longchuan-Longmen Canyon Scenic Area(龍村–龍門峽谷風景區)and is situated near another famous scenic spot of Tian Men Shan(天門山).

The Yongtai Project

Under the Framework Agreement, both the Company and Yongtai Government agreed to name the Yongtai Project as "Yongtai Kungfu Distinctive Town"(永泰功夫小鎮), with the view to leveraging on the Company's connection with martial arts movie industry and re-establishing the Longchuan-Longmen Canyon Scenic Area as a 4A scenic spot in the long run.

Due to the huge size of the Operation Site and the large investment amount of the Yongtai Project, the Company planned to establish an investment fund and cooperate with strategic business partners to minimize the Company's risk and capital exposure.

Based on the Group's initial planning, the planned investment size of the Yongtai Project is RMB500 million during the first 3 years of the project. The Company intends to finance the Yongtai Project through the establishment of an investment fund in cooperation with asset management companies to co-invest in the Yongtai Project. The Company is currently negotiating with asset management companies and potential investors with the view to finalizing the structure of the investment fund. Further announcement(s) will be made by the Company when any of these funding plans materializes which trigger any disclosure obligations for the Company.

THE OPERATION RIGHT ACQUISITION

On 27 November 2017, Yongtai Project Company (an indirect wholly-owned subsidiary of the Company) was informed by Yongtai Government that Yongtai Project Company had won the bid regarding the acquisition of the 40-years' exclusive Operation Right of the Operation Site, being part of the Yongtai Project Site. As a result of the winning of the bid, Yongtai Project Company entered into the Operation Right Agreement with Yongtai Government on 20 December 2017 regarding the Operation Right Acquisition for the consideration of RMB28 million (equivalent to HK$33.33 million). Completion of the Operation Right Acquisition took place on 20 December 2017.

The principal terms of the Operation Right Acquisition are set out below:

Dates

Date of bid winning:	27 November 2017
Date of signing of Operation Right Agreement:	20 December 2017
Date of completion:	20 December 2017

Parties

Assignor: Yongtai Government

Assignee: Yongtai Project Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yongtai Government is an Independent Third Party.

Exclusive Operation Right

Under the Operation Right Acquisition, Yongtai Project Company was granted a 40-years' exclusive Operation Right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in the Operation Site.

The Operation Site is a part of the Yongtai Project Site covering an area of approximately 14.99 square kilometers (22,487 Chinese mu) designated by Yongtai Government for the grant of the Operation Right by way of open tender.

Consideration

The consideration for the Operation Right Acquisition was RMB28 million (HK$33.33 million) (the "**Operation Right Consideration**"), which was deducted from the RMB50 million (HK$59.52 million) Yongtai Deposit already placed by the Group with Yongtai Government under the Framework Agreement.

Term

The term of the Operation Right is 40 years commencing on the date of the Operation Right Agreement (i.e. 20 December 2017).

REASONS FOR AND BENEFITS OF THE YONGTAI PROJECT TRANSACTIONS

The Company is an investment holding company. The Group is principally engaged in the businesses of publishing and advertising in the PRC. Since as early as 2015 and 2016, the Group has entered the movie industry through the participation of the movie "Ip Man 3". With the joining of Mr. Siuming Tsui to the Board as Chief Executive Officer, the Group had been actively exploring business opportunities of movie, media and cultural projects with the view to broadening income stream and reducing reliance and risk of traditional printed media, which had been suffering global downturn for several years now. The acquisition and investment in the Yongtai Project represents a good opportunity for the Group to leverage on its management expertise and investment experience in movie, culture and media industries by diversifying into integrated project development.

The Board considers that the Yongtai Project is not only consistent with the Group's continual commitment in large scale project development and business diversification but also the new government initiatives of "distinctive small town"(特色小鎮) as referred to in the 13th Five-year Plan for Economic and Social Development of the People's Republic of China (2016-2020) and the joint notice issued by the National Development and Reform Commission, the Ministry of Housing and Urban-rural Development and the Ministry of Finance in July 2016 to cultivate 1,000 distinctive small towns in China by the year 2020 to promote integrated development of the primary, secondary and tertiary industries in the rural areas. In addition, as explained above, the Yongtai Project Site includes the famous Longchuan-Longmen Canyon Scenic Area(龍村－龍門峽谷風景區) and is situated near another famous scenic spot of Tian Men Shan(天門山). The Company considers that the Operation Site has a geographical advantage and is suitable for integrated project development with movie or media themes.

The Board believes that the Group's participation in the Yongtai Project and the Operation Right Acquisition can strengthen the Group's business of integrated project development, broaden its income stream in the long run, and reduce its reliance on the downtrend printed media business. The Operation Right Consideration was within the bidding price range acceptable to Yongtai Government as stipulated in its open tender invitation document. The bidding price for the Operation Right Acquisition was decided by the Board by reference to the total area of the Operation Site, the term of exclusivity of the Operation Right Agreement and the business prospect of the Operation Site and the Yongtai Project as a whole. The Directors (including independent non-executive Directors) are of the view that the terms of the Operation Right Acquisition (including the Operation Right Consideration) are fair and reasonable and the Operation Right Acquisition and the transactions contemplated thereunder (including the entering into of the Operation Right Agreement) are in the interests of the Company and its shareholders as a whole.

In view of the above, the Directors are of the view that the Yongtai Project Transactions are in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE YONGTAI PROJECT TRANSACTIONS

As the Yongtai Deposit of RMB50 million was settled by the Group in cash through its internal cash resources and the Operation Right Consideration of RMB28 million was deducted from the Yongtai Deposit, the total assets and the total liabilities of the Group have not been materially affected as a result of the Operation Right Acquisition. The Company also considers that there should not be any material effect on the earnings of the Group immediately upon completion of the Operation Right Acquisition. In view of the business prospects of the Yongtai Project, the Directors anticipated that the Yongtai Project Transactions will improve the Group's trading prospects in the future and broaden the income stream of the Group in the long run.

STOCK EXCHANGE'S DECISION ON AGGREGATION OF TRANSACTIONS

At the time of the entering into of the Framework Agreement, the acquisition of the Operation Right and the Operation Right Agreement, the Company was formerly of the view that they should constitute discloseable transactions under Chapter 14 of the Listing Rules, as the applicable percentage ratios as calculated by either the refundable Yongtai Deposit payable by the Group to Yongtai Government under the Framework Agreement in the amount of RMB50 million or the Operation Right Consideration (i.e. RMB28 million) exceeded 5% but were less than 25%.

On 27 February 2018, the Company received a decision from the Stock Exchange (the "**Decision**") that the Group's acquisition of the Operation Right should be aggregated with the Acquisition under Rules 14.22 and 14.23 of the Listing Rules, taking into account the following: (a) the transactions would together lead to substantial involvement by the Company in a new business which did not previously form part of the Company's principal businesses; and (b) the two acquisitions were conducted by the Company within a short period of time of only about 7 months. According to the Decision, when aggregated with the Acquisition, the acquisition of the Operation Right should constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, as certain applicable percentage ratios would have exceeded 100%.

IMPLICATIONS UNDER THE LISTING RULES

Upon aggregation with the Acquisition, the Operation Right Acquisition would have constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and shall be subject to reporting, circular and Shareholders' approval requirements under the Listing Rules.

The Group's participation in the Yongtai Project, including the Framework Agreement and Operation Right Acquisition, regarding the Yongtai Project Transactions will be proposed at the EGM for Shareholders' consideration, approval and ratification. As no Shareholder has a material interest in the Yongtai Project Transactions, no Shareholder is required to abstain from voting at the EGM in respect of the resolution relating to the Yongtai Project Transactions. In the event that the resolution relating to the Yongtai Project Transactions is voted down by Shareholders at the EGM, the Company will consider disposing of the rights under the Framework Agreement and the Operation Right Agreement (including the Operation Right) at a price which is not less than the original acquisition cost.

Under the terms of the Framework Agreement, Shifang Ysolde shall actively participate (through itself, funds managed by the Company or their respective subsidiaries) in open tender auctions of (i) land use right of other commercial construction lands (建設用地) within the Yongtai Project Site; (ii) agriculture or forestry lands within the Yongtai Project Site by way of long-term lease (農地林地長期租賃); and (iii) operation right circulation. In future, all land biddings placed by the Company on the Yongtai Project will be made only subject to conditions regarding Listing Rules compliance and shareholders' approval at general meeting. Further announcement will be made by the Company on any successful bidding in accordance with the Listing Rules, and the Company will ensure re-compliance with the relevant requirements under the Listing Rules on any successful bidding.

Any future acquisition and/or equity fund raising in relation to theme park or theme park-related business will have to be aggregated with the Acquisition and the Yongtai Project Transactions for the purpose of assessing any circumvention of the new listing requirements set out in Chapter 8 of the Listing Rules, which may be regarded by the Stock Exchange as a reverse takeover.

INTENTION ON THE EXISTING BUSINESS OF THE GROUP

In 2017, printed media industry in the PRC saw a severe downtrend, with magazine advertising declining by 18.9% and newspaper advertising declining by 32.5%. Advertising activities are moving from traditional media to mobile, Internet and other new media such as social networking. The Group has business plans to strengthen its digital media distribution platform by recruiting staff talented in mobile and Internet technologies and continuing investments in research and development in new media advertising. In addition, the Group continued to explore opportunities in film and television projects in 2017, with the view to capturing opportunities in the prosperous film, television and cultural markets in the PRC and synergizing with the cultural brand name and content of the Group.

The business environment of the Group's printed media, Southeast Express, is challenging due to the competition of new media. The Company will continue to adopt cost-control measures in an effort to counteracting the fall in revenue. In view of the significant growth of the Internet advertising market in the past few years, the Group will also continue to strengthen its existing research and development team on the Internet advertising and its digital media distribution platform. The Group, through its subsidiary Fujian Haobang Real Estate Planning & Agency Co. Ltd., will also continue to develop the business of total-solution project management on integrated property development, through networking and business development with its existing client base and other business connections and prudently allocate resources to this business segment. The Group will explore the opportunities arising from the comprehensive marketing services, in particular the commercial property projects, to sustain long-term development and growth of the Group. As at the Latest Practicable Date, the Board had no intention, arrangement, understanding nor negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the printed media or property project management businesses of the Group.

(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$200,000,000 divided into 2,000,000,000 Shares, of which 1,737,996,121 Shares were in issue. If the Acquisition proceeds to Completion, 550,000,000 Consideration Shares will be allotted and issued on Completion as part of the Consideration. The authorized but unissued Shares as at the Latest Practicable Date of 262,003,879 Shares are not sufficient for the issue and allotment of 550,000,000 Consideration Shares.

In order to facilitate the issue and allotment of the Consideration Shares and provide the Company with greater flexibility to raise fund or finance acquisitions through the allotment and issue of shares or securities convertible into shares, the Directors propose that the authorised share capital of the Company be increased from HK$200,000,000 divided into 2,000,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares, which will, upon issue and being fully paid, rank *pari passu* in all respects with the Shares in issue.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders taken as a whole.

As at the Latest Practicable Date, the Board had no present intention to issue any part of the proposed increased authorised share capital of the Company other than the issue of the Consideration Shares upon Completion.

EGM

The EGM will be held for the Shareholders to (a) consider and, if thought fit, approve the ordinary resolutions in respect of, amongst other things, (i) the entering into of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Consideration Shares under the Specific Mandate; (iii) the grant of the Project Assets FROR; and (iv) the proposed Increase in Authorised Share Capital; and (b) consider, and if thought fit, approve and ratify the Yongtai Project Transactions.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholder had a material interest in the Acquisition, the Yongtai Project Transactions or the proposed Increase in Authorised Share Capital. Accordingly, no Shareholder is required to abstain from voting at the EGM in respect of the Acquisition, the Yongtai Project Transactions or the proposed Increase in Authorised Share Capital.

RECOMMENDATION

The Directors are of the view that the terms of the Acquisition (including the Project Assets FROR) and the transactions contemplated under the Acquisition Agreement, and the Yongtai Project Transactions are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and that the Acquisition (including the Project Assets FROR), the Yongtai Project Transactions and the proposed Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve and ratify the Acquisition (including the Project Assets FROR), the Yongtai Project Transactions and the proposed Increase in Authorised Share Capital.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM as set out on pages EGM-1 to EGM-3, which form part of this circular.

Yours faithfully,
For and on behalf of
ShiFang Holding Limited
Siuming Tsui
Executive Director (Chief Executive Officer)

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016, and for the six months ended 30 July 2017 are disclosed in the following documents which have been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.shifangholding.com/), respectively:

(i) the annual report of the Company for the year ended 31 December 2014, please refer to pages 90 to 240

(http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN201504201190.pdf);

(ii) the annual report of the Company for the year ended 31 December 2015, please refer to pages 106 to 236

(http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0414/LTN201604141193.pdf);

(iii) the annual report of the Company for the year ended 31 December 2016, please refer to pages 94 to 216

(http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0424/LTN20170424259.pdf); and

(vi) the interim report of the Company for the six months ended 30 June 2017, please refer to pages 43 to 96

(http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0918/LTN20170918741.pdf)

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2018, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Enlarged Group was as follows:

The Group

	As at 31 January 2018 *RMB'000*
Current	
Bank borrowings – secured	8,947

Bank borrowings

As at 31 January 2018, our Group's bank borrowings represents mortgage loans obtained from a bank and were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time.

The mortgage loans are secured by the ownership rights of the property and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group.

The maturity of the mortgage loans based on scheduled repayment dates set out in the loan agreements and excluding the repayment on demand clause is as follows:

	As at 31 January 2018 *RMB'000*
Within 1 year	2,236
Between 1 and 2 years	2,236
Between 2 and 5 years	4,475
	8,947

The Target Group

	As at 31 January 2018 *RMB'000*
Non-current	
Borrowings from a director of a subsidiary – unsecured	1,200
Current	
Borrowings from a related company – unsecured	1,800

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities within the Group or the Target Group and normal trade business, as at the close of business on 31 January 2018, the Group and the Target Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of opinion that after taking into account (i) the financial resources available to us including internally generated funds, the available banking facilities and external borrowing following completion of the Acquisition, (ii) the effect of the Acquisition and (iii) the estimated capital investment to the projects, the Enlarged Group will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular in the absence of unforeseeable circumstances.

5. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis of performance and other information of the Group for each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 principally extracted from the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017, respectively. Unless the context otherwise requires, capitalised terms used therein shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of the Company.

(i) For the year ended 31 December 2014

Business review

The slowdown in the Chinese economic development and the increasing pressure on certain industries to expand have impacted the advertising spending of the respective industries, thereby posing challenges for the operating environment of the Group in the year 2014. In view of the restructuring of the advertising market, the continuous switch to new media and the internet from print media as a platform of advertising, and the slow recovery in advertising spending of certain industries such as property, advertising revenue from newspaper advertising, online services and TV advertising dropped. The performance of the Group's principal business, print media advertisements, was adversely affected due to the increasing threat from new online media and the receding Chinese economy. As a result, the Group generated a lower revenue and experienced a slower restructuring progress of some of its businesses, such as online media service, than what were originally projected by the Group.

(i) Newspaper advertising

Advertising in traditional print media has suffered a severe blow due to China's economic slowdown and the change in reading habits of youngsters caused by blossoming communication channels of new media and mobile internet. The overall volume of advertisements in Chinese publications continued to dwindle in 2014. Despite the Group's well-established clientele, the Group experienced a decline in both advertising spending and volume, resulting in a 25.8% fall in newspaper advertising revenue to RMB134.5 million, as well as a 3.9% decrease in gross profit to RMB37.3 million for the year ended 31 December 2014. Revenue from marketing and promotional services for 2014 was RMB26.1 million, down by 43.6% year-on-year. In spite of the drop in revenue, the newspaper advertising business remained one of the Group's principal businesses and accounted for approximately 73.3% of the Group's revenue from core businesses.

Facing the pressure and risk brought by new media and the internet, the Group has implemented stringent cost controls and actively sought new sources of income during the year under review in order to improve its operations. For the purpose of improving the organisational structure, restructuring was carried out at the management level and manpower was streamlined. Such efforts were proven effective as the Group's workforce was reduced from 854 to 805 during the year under review. On the other hand, the Group's staff received a substantial adjustment to salary, and the management and executive personnel, in particular, took a pay cut of 25%-40% as a vow to overcome challenges faced by the Group.

(ii) Online services

Mobile internet has been on the rise in terms of user coverage and has become a key source of information for the public in recent years. The Group believes that the mobile network and the internet present enormous business opportunities and will be the key growth drivers of the advertising industry in the future. To tap into the huge market demand from such trend, the Group continually refines its business structure, and recovers resources from less profitable segments and diverts them to the online services so as to achieve business transformation by fusing its technologies in both traditional and new media businesses, and in 2014, such projects were still in the investment stage. The Group targets to increase the share of mobile internet business in its total revenue to 50%. The Group's online services continue to consist mainly of Cloud Call technology, Duk, DNKB, Life News and Fangke Web. The Group has further established its new internet media platforms with technologies and channels that complement the traditional media in terms of resources and technological standards so as to realise the fusion of online and offline businesses.

For the year under review, the Group's premature internet media platforms were still in the establishment and investment stages, while the competition in the online services and digital media industry intensified. As a result, the performance of the Group's online services business fell short of expectation in 2014 with revenue of RMB0.3 million, representing a decrease of 95.2% as compared to last year. Gross profit was RMB0.2 million, down by 92.0% as compared to last year. However, the Group has high hopes for the development of its online media and will continue to put a lot of efforts into the establishment of comprehensive multi-media platforms to achieve business transformation, shift its business focus to mobile internet operations, expand its market share and increase its income in the long run.

(iii) Marketing, distribution management, consulting and printing services

Due to the relatively narrow client base of the Group's marketing, distribution management, consulting and printing services and the impact of the emerging new media on the paper-based media, revenue from this segment for the year under review fell by 39.6% to RMB46.9 million, accounting for 25.5% of the Group's total revenue.

The Group has entered into exclusive cooperation contracts with some of its newspaper partners for the sale of advertising space and the provision of integrated services. The Group is committed to maintaining close relationships with its newspaper partners by offering certain additional services, such as printing, distribution management, consulting and marketing advice, helping publications maintain their excellent printing quality, and increasing revenue from the provision of integrated print media services to advertisers. In relation to distribution and management services, the Group continued to provide comprehensive services for Southeast Express and Lifestyle Express.

(iv) Television and radio advertising

The Group's television and radio advertising revenue in 2014 amounted to RMB1.9 million, a year-on-year decrease of 62.0%, accounting for 1.0% of the Group's total revenue. The further decrease in proportion reflected the Group's future strategy of lowering reliance on traditional media, including television and radio, advertising and focusing more on the mobile internet business.

Financial performance

The Group's total revenue decreased significantly by 32.1% from RMB270.3 million for the year ended 31 December 2013 to RMB183.6 million for the year ended 31 December 2014. Such decrease was primarily due to the proliferation of online new media, as well as the change in clients' advertising strategy and the restructuring of the advertising market. Revenue from newspaper advertising decreased from RMB181.3 million for the year ended 31 December 2013 to RMB134.5 million for the year ended 31 December 2014 and revenue from marketing, distribution management, consulting and printing services decreased from RMB77.7 million to RMB46.9 million for the year ended 31 December 2014.

The Group's gross profit decreased by 38.9% from RMB76.0 million for the year ended 31 December 2013 to RMB46.4 million for the year ended 31 December 2014. Gross profit margin decreased from 28.1% for 2013 to 25.3% for 2014, which was primarily attributable to the unsatisfactory performance of newspaper advertising and marketing, distribution management, consulting and printing services.

For the year ended 31 December 2014, the Group recorded a net loss for the year of RMB307.1 million, which was mainly attributable to the significant decline in newspaper advertising revenue and the provision for impairment of long term investments, long term deposits, prepayments and deposits and other receivables and provision for impairment of interest in an associate.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2014, the Group had net current assets of approximately RMB115.8 million (2013: RMB217.3 million). The decrease in net current assets as at 31 December 2014 as compared with net current assets as at 31 December 2013 was primarily due to (i) the decrease in prepayments, deposits and other receivables of approximately RMB70.4 million; (ii) the decrease in short-term bank deposits of RMB45.0 million; (iii) the decrease in cash and cash equivalents of approximately RMB21.4 million; and (iv) the increase in other payables and accrued expenses of RMB22.2 million, which was partially offset by the increase in assets held for sale of approximately RMB50.7 million.

The Group recorded a net cash outflow of approximately RMB21.4 million for the year ended 31 December 2014. The net cash outflow was mainly contributed by the cash outflow from operating activities of approximately RMB55.4 million and the deposit paid for acquisition of a property of approximately RMB6.7 million, which was partially offset by the release of term deposits with initial term of over three months in an amount of RMB45.0 million.

As at 31 December 2014, cash and cash equivalents of the Group amounted to approximately RMB32.5 million. The Group did not have any borrowings as at 31 December 2014.

Capital structure

As at 31 December 2014, the Group's current liabilities and non-current liabilities amounted to approximately RMB98.5 million and approximately RMB2.2 million, respectively. The equity attributable to the equity holders of the Company amounted to approximately RMB211.2 million as at 31 December 2014, representing a decrease of 58.0% as compared to approximately RMB502.9 million as at 31 December 2013.

Capital expenditure

The Group's business generally does not require significant ongoing capital expenditures. Capital expenditures incurred are mainly for the purchase of printing machinery and office equipment. Capital expenditures were RMB5.3 million and RMB1.7 million for the years ended 31 December 2013 and 31 December 2014, respectively.

Exposure to fluctuations in exchange rates

The Group operates principally in the PRC. Majority of recognised assets and liabilities are denominated in RMB and majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk. The Group had only insignificant foreign exchange risk exposure to United States dollar and Hong Kong dollar as at 31 December 2014.

Contingent liabilities

The Group follows the guidance of IAS37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when should contingent liabilities be recognised, which requires significant judgement.

As at 31 December 2014, the Group had the following contingent liabilities:

(a) Fine Imposed by Fujian Province Branch of the State Administration of Foreign Exchange

On 15 April 2014, a subsidiary of the Group received a letter of administrative penalty notice (Min Hui Gao No. [2014] 2（閩匯告[2014]2號）) issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11,580,000 on that subsidiary in relation to certain of its foreign exchange settlement transactions.

On 21 April 2014, the subsidiary applied for a hearing which was subsequently accepted by Fujian Province Branch of the State Administration of Foreign Exchange on 25 April 2014.

On 14 July 2014, the subsidiary received the opinion of hearing（聽證意見書[2014]1號）is sued by the Fujian Province Branch of the State Administration of Foreign Exchange. The hearing officers advised Fujian Province Branch of the State Administration of Foreign Exchange to maintain the proposed fine as stated on the letter of administrative penalty notice (Min Hui Gao No. [2014] 2（閩匯告[2014]2號）.

On 21 July 2014, the subsidiary received a letter of administrative penalty decision (Min Hui Fa No. [2014] 5（閩匯罰[2014]5號）) issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11,580,000.

The subsidiary shall remit the fine of RMB11,580,000 to a designated account for fines and penalties within 15 days from the date of receiving the letter of administrative penalty decision. In the event of non-payment of fine when overdue, Fujian Province Branch of the State Administration of Foreign Exchange shall impose an additional daily penalty of 3% on the amount of such, or apply to the People's Court for enforcement. Accrued additional daily penalties shall not exceed the original fine of RMB11,580,000.

The subsidiary has applied to the State Administration of Foreign Exchange for an administrative review. On 3 November 2014, the State Administration of Foreign Exchange issued a letter of administrative reconsideration decision (Hui Fa No. [2014] 45 匯發[2014]45號) to the subsidiary, stating the letter of administrative penalty decision (Hui Fa No. [2014] 5) dated 21 July 2014 will be upheld and the said enforcement order will not be suspended during the period of the administrative review.

On 20 November 2014, the subsidiary brought an administrative lawsuit to the Fuzhou City GuLou District People's Court ("**Fuzhou People's Court**") and is awaiting the judgement of the court.

Notwithstanding the lawsuit that was brought to Fuzhou People's Court, the management has made a provision of RMB23,160,000 in respect of the penalty charge and daily penalty charges, which has been included in the statement of comprehensive income.

To facilitate the streamlining of the Group's structure, the aforementioned subsidiary was disposed to an independent third party of the Group, on 24 December 2014.

(b) Lawsuits between the Group and Shenyang Media Corporation

On 26 July 2011, Shenyang Media Corporation unilaterally terminated the Comprehensive Cooperation Contract with the Group. A subsidiary of the Group received a summons issued by the Shenyang Intermediate People's Court in Liaoning Province (the "**Shenyang Intermediate People's Court**") on 25 October 2011, where Shenyang Media Corporation claimed the subsidiary for, among others, a total sum of RMB17,328,767 being the outstanding advertising fees payable by the subsidiary to Shenyang Media Corporation (the "**Case 1**").

On 22 December 2011, the subsidiary filed summons of claim to the Higher People's Court of Liaoning Province (the "**Higher People's Court**") against Shenyang Daily Agency and Shenyang Evening News Media Corporation, where the Group sued Shenyang Daily Agency and Shenyang Media Corporation for, among others, a total sum of RMB105,579,352, being the outstanding advertising fees payable by Shenyang Daily Agency and Shenyang Media Corporation (the "**Case 2**") to the subsidiary.

On 8 March 2012, the subsidiary received a civil judgement issued by the Higher People's Court in relation to Case 2, pursuant to which the Higher People's Court decided to refer the case back to the Shenyang Intermediate People's Court. As advised by the PRC legal counsel, the subsidiary has lodged an appeal to the Supreme People's Court of the PRC (the "**Supreme People's Court**") on 13 March 2012 to request the Supreme People's Court to overrule the Higher People's Court's decision.

On 30 August 2012, the subsidiary received a judgement of first instance awarded by the Shenyang Intermediate People's Court in relation to Case 1. It was ruled that the subsidiary shall pay Shenyang Media Corporation RMB17,250,398 as advertising fees together with court fees within 10 days after the judgement becomes effective. On 6 September 2012, the subsidiary has lodged an appeal to the Higher People's Court to seek to revoke the judgement of first instance in due course.

On 27 December 2012, Higher People's Court ordered the judgement of first instance issued by the Shenyang Intermediate People's Court on 30 August 2012 be dismissed and a retrial of the case at the Shenyang Intermediate People's Court was ruled ("**Case 1**"). On 25 June 2013, the Shenyang Intermediate People's Court commenced the retrial of the case.

On 5 December 2013, a civil judgement was issued by the Supreme People's Court in relation to Case 2. It was ruled that the civil judgement dated 8 March 2012 by the Higher People's Court be dismissed, and that the case be handled by the Higher People's Court.

On 5 May 2014, a civil judgement was issued by Shenyang Intermediate People's Court. It was ruled the subsidiary shall pay Shenyang Media Corporation the advertising agency fee of RMB17,250,398. As advised by PRC legal counsel, the subsidiary has filed an appeal against the civil judgement to the Higher People's Court.

On 15 October 2014, the hearing at the Higher People's Court commenced for Case 2. After seeking legal consultation, the management believes that it is not probable that this litigation would result in any material outflow of economic benefits from the Group.

On 4 December 2014, the subsidiary received a civil judgement of (2014) Liao Min Er Zhong Zi no. 00170（(2014) 遼民二終字第00170號）dated 26 November 2014 issued by the Higher People's Court which dismissed the appeal by the subsidiary to uphold the original judgement made by the Intermediate People's Court for Case 1, which ordered the subsidiary to pay to Shenyang Media Corporation advertising agency fees in the sum of RMB17,250,398. The judgement was the final judgement of the Higher People's Court and an enforcement order was placed to freeze the bank balances of Liaoning AoHai Tian Yi Media Advertisement Co., Ltd. ("**Liaoning AoHai**") amounting to RMB1,797,906. Maximum value of the freezing order is RMB17,250,398. As advised by the PRC legal counsel, the subsidiary filed an application for retrial to the Supreme People's Court on 30 December 2014.

Notwithstanding that an application for retrial was lodged to the Supreme People's Court, management has made provision of RMB17,250,398 in respect of the advertising agency fee, which has been included in the consolidated statement of comprehensive income. With reference to legal opinion, management believes economic outflow arising from the litigation is limited to Liaoning Aohai, and the litigation would not result in material outflow of economic benefits from other subsidiaries of the Group.

The Group is currently waiting for further instructions from the court and will notify the shareholders of any progress in the litigations in a timely manner.

(c) Enforcement order issued by Yueyang City Intermediate People's Court against certain wholly-owned Group subsidiaries

On 4 June 2012, Yueyanglin Paper Co., Ltd. has filed a civil claim against Southeast Express and Lifestyle Express in respect of an outstanding payment of RMB31,859,018 relating to certain sales made in prior years.

On 10 July 2012, Yueyang Intermediate People's Court has made a civil judgement that Southeast Express and Lifestyle Express shall pay Yueyanglin Paper Co., Ltd. the aforesaid amount.

On 26 October 2012, the Yueyang Intermediate People's Court ruled that in view of intentional transfer of assets among Southeast Express, Lifestyle Express, and certain wholly-owned Group subsidiaries, the court froze the bank balances of the aforementioned subsidiaries, which included Fuzhou Aohai Advertisement Co., Ltd. ("**Fuzhou AoHai**") and Kunming AoHai Advertising Co., Ltd. ("**Kunming AoHai**"), up to a maximum value of RMB31,859,018 ("**Freezing Order**").

On 8 November 2012, the subsidiaries appealed to the Yueyang Intermediate People's Court against the Freezing Order. The Freezing Order was revoked on 30 January 2013. Yueyanglin Paper Co., Ltd. has subsequently lodged an appeal to the Higher People's Court of Hunan Province against this decision, but on 22 August 2013, the Higher People's Court of Hunan Province dismissed the appeal application by Yueyanglin Paper Co., Ltd.

However, Yueyang Intermediate People's Court issued two enforcement judgements in favour of Yueyanglin Paper Co., Ltd. on 22 September 2013. The court ruled to draw the cash deposit of RMB22,000,000 out of the bank accounts of Fuzhou AoHai and to freeze advertising fee of up to RMB14,000,000 expected to be paid by Fuzhou AoHai and Kunming AoHai to Southeast Express and Lifestyle Express. The subsidiaries have subsequently raised on objection to the enforcement judgement to the Yueyang Intermediate People's Court against the court's decision together with other economic losses and damages on the reputation of the subsidiaries.

On 17 February 2014, the Yueyang Intermediate People's Court dismissed the objection application by the subsidiaries. As advised by the PRC legal counsel, the subsidiaries have lodged a review application to the Higher People's Court of Hunan Province (the "**Higher People's Court**") against the implementation of the above-mentioned decision of the Yueyang Intermediate People's Court. The application is lodged to the Higher People's Court to dismiss the above-mentioned enforcement judgements and return the improperly drawn bank balances of RMB22,000,000 to the subsidiaries.

On 28 April 2014, the Higher People's Court of Hunan Province dismissed the implementation review application by the subsidiaries. As advised by the PRC legal counsel, an application for execution monitoring was lodged to the Supreme People's Court to dismiss the above-mentioned enforcement judgements and refund the improperly drawn bank balances of RMB22,000,000 to the subsidiaries. The case is currently being examined by the court and is pending judgement.

Taking into account of the latest developments of the case, the directors considered to recognise full impairment provision of RMB22,000,000 in respect of this legal claim, which has been included in the consolidated financial statements of the Group for the year ended 31 December 2014.

Pledge of assets

As at 31 December 2014, the Group did not have any pledge of assets.

Bank loans, overdraft and other borrowings

As at 31 December 2014, the Group did not have any borrowings.

Gearing ratio

As at 31 December 2014, the Group's gearing ratio (calculated as total borrowings divided by total assets) was nil. (31 December 2013: Nil).

Employees and remuneration policies

As at 31 December 2014, the Group had approximately 805 fulltime employees. Total staff costs including directors' remuneration for the year ended 31 December 2014 was approximately RMB73.3 million (2013: approximately RMB78.5 million). The Group offers competitive remuneration packages to employees that include salaries, bonuses and share options to qualified employees.

The remuneration of the Directors are evaluated by the remuneration committee and the committee makes recommendations to the Board. In addition, the remuneration committee conducts reviews of the performance, and determines the remuneration structure, of the Group's senior management.

The Company operates an employee share option scheme and the purpose of which is to provide incentive or reward to eligible persons who provide services to the Company for their contribution and continuing efforts to promote the interests of the Company, and for such other purposes as the Board may approve from time to time.

Material acquisitions and disposals of subsidiaries and associates

During the year ended 31 December 2014, the Group did not enter into any material acquisitions or disposals of subsidiaries and associates.

Prospect

Against the backdrop of the accelerating economic restructuring and increasing government support for and guidance on the integration of the internet, new media, traditional media and social networks, the Group will reposition and reform itself, and redeploy its resources so as to shift its strategic focus to marketing and expanding the customer base of its new media platform as well as from providing marketing service to traditional media to new media.

The Group is equipped with abundant marketing resources and a well-established customer base together with a professional management team with ample experience, and a technical team with strong technical capability and competitive products. As such, the Group will speed up the integration of its traditional media platform and new online technologies in order to establish an integrated platform business model which is more comprehensive and has more and wider audience.

In addition, the Group will continue to shut down businesses with relatively unsatisfactory profitability and poor revenue so as to divert their resources to other platforms that have the potential to cement and fit with the market's needs and integrate them with new technologies so as to accelerate the launch of new products. In the next three years, the Group targets to increase the share of mobile and internet business in our total revenue to 50% while reducing the share of print media to 50% so as to form a balanced online and offline marketing service structure.

(ii) For the year ended 31 December 2015

Business review

The slowdown in China's economic development and the decline of certain industries have adversely affected the advertising spending of the respective industries, thereby posing challenges to the operating environment of the Group in 2015. In view of the restructuring of the advertising market, the continuous switch of advertising platform from print media to new media and the Internet, as well as the reduced advertising spending in certain industries including the real estate industry due to their decline, revenue from newspaper advertising, online services and marketing and promotion services has dropped. The performance of the Group's principal business, newspaper advertising, was adversely affected by the increasing threat from new online media and the receding economy in China.

(i) Newspaper advertising

In recent years, the exponential growth of new media advertising and mobile Internet advertising channels have diminished advertising spending and volume in traditional print media. As such, the traditional media advertising segment has suffered a severe blow. Coupled with the cessation of Lifestyle Express beginning from 30 June 2015 due to financial difficulties, this segment saw a drop in revenue. Furthermore, the Group has been establishing a platform to integrate its traditional print media and new media businesses, but the new technology was only being tested before officially going online and this new initiative was currently at its investment stage with limited revenue contribution during the year. As a result of the above factors, the Group recorded revenue from newspaper advertising of RMB34.8 million for 2015, down by 74.1% year-on-year. Despite the drop in revenue, the newspaper advertising business remained one of the Group's principal businesses and accounted for approximately 51.9% of the Group's total revenue, a drop from 73.3% for the corresponding period of the previous year, demonstrating less reliance on the traditional advertising platform.

(ii) Online services

To give its full support to the development of the Internet, the central government advocated the "Internet Plus" strategy. Against this backdrop, it is expected that mobile Internet will flourish in terms of user coverage and become a key source of information for the public. The Group believes that the mobile Internet presents enormous business opportunities and will be the key drivers of future growth in the advertising, cultural and media industries. To take advantage of the huge market demand from such development trends, the Group is continuously refining its business structure by diverting resources from less profitable segments to online services so as to step up the integration of the expertise of its traditional businesses with new technologies. In 2015, the Group's online services continued to consist mainly of Fangke Web, DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). The Group has further developed these new Internet media platforms with technologies and channels that complement the traditional media in terms of resources and technological standards so as to realise the integration of its online and offline businesses.

During the year ended 31 December 2015, the Group's developing Internet media platforms had yet to deliver any results. Revenue from this business increased by 66.7% to RMB0.5 million as compared with the corresponding period of the previous year. Gross profit was RMB0.4 million, up by 100% as compared with the corresponding period of the previous year, accounting for only 0.7% of the Group's overall revenue.

(iii) Marketing, distribution management, consulting and printing services

During the year ended 31 December 2015, the competitiveness and market of print media continued to be hard hit by the boom in online new media. The marketing, distribution management, consulting and printing service business has a narrow client base. Further, the paper-based printing operation received a huge blow from the cessation of one of the Group's media partners at the end of June 2015 due to financial difficulties. As a result, revenue from this segment for the year ended 31 December 2015 fell by 32.4% to RMB31.7 million, though it accounted for an impressive 47.3% of the Group's total revenue due to the plummeting revenue from the other business segments.

(iv) Television and radio advertising

As the TV and radio advertising projects failed to deliver expected returns, the Group ceased cooperation with all TV and radio stations during the year ended 31 December 2015. As a result, revenue from TV and radio advertising dropped from RMB1.9 million for the year ended 31 December 2014 to nil for the year ended 31 December 2015.

Financial performance

The Group's total revenue decreased significantly by 63.5% from RMB183.6 million for the year ended 31 December 2014 to RMB67.0 million for the year ended 31 December 2015. Such decrease was primarily due to the reduced advertising spending in certain sectors, such as real estate, who have entered an adjustment cycle triggered by the domestic economic slowdown, the continuous switch of advertising platform from print media to new online media, the shift in clients' promotion strategies and the restructuring of the advertising market. Revenue from newspaper advertising decreased from RMB134.5 million for the year ended 31 December 2014 to RMB34.8 million for the year ended 31 December 2015 and revenue from marketing, distribution management, consulting and printing services decreased from RMB46.9 million for the year ended 31 December 2014 to RMB31.7 million for the year ended 31 December 2015.

The Group's turned from gross profit of RMB46.4 million for the year ended 31 December 2014 to gross loss of RMB5.8 million for the year ended 31 December 2015. Gross profit margin decreased from 25.3% for 2014 to gross loss margin of 8.7% for 2015, which was primarily attributable to the significant drop in revenue caused by the unsatisfactory performance of newspaper advertising and marketing, distribution management, consulting and printing services.

For the year ended 31 December 2015, the Group recorded a net loss for the year of RMB167.2 million, which was mainly attributable to the decline in newspaper advertising revenue, and the provisions for impairment of trade receivables, certain prepayments, deposits and other receivables due from certain metropolitan newspaper publishing partners, properties held for sale and interests in associates.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2015, the Group had net current assets of approximately RMB101.9 million (2014: RMB115.8 million). The decrease in net current assets as at 31 December 2015 as compared with net current assets as at 31 December 2014 was primarily due to (i) the decrease in properties held for sale of approximately RMB26.7 million; (ii) the decrease in net trade receivables of approximately RMB35.8 million; (iii) the decrease in prepayments, deposits and other receivables of approximately RMB16.9 million; (iv) the decrease in amounts due from related parties of RMB23.8 million; and (v) the increase in bank borrowing of approximately RMB13.6 million, which was partially offset by (i) the increase in cash and cash equivalents of approximately RMB77.0 million; and (ii) the decrease in other payables and accrued expenses of approximately RMB19.0 million.

The Group recorded a net cash inflow of approximately RMB77.0 million for the year ended 31 December 2015. The net cash inflow was mainly contributed by the cash inflow from financing activities of approximately RMB106.9 million, which was partially offset by (i) the cash outflow from operating activities of approximately RMB17.5 million; and (ii) the cash outflow from investing activities of approximately RMB12.4 million.

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB109.5 million. As at 31 December 2015, the Group had bank borrowings of approximately RMB13.6 million.

Capital structure

As at 31 December 2015, the Group's current liabilities and non-current liabilities amounted to approximately RMB80.3 million and approximately RMB1.0 million, respectively. The equity attributable to the equity holders of the Company amounted to approximately RMB140.8 million as at 31 December 2015, representing a decrease of 33.4% as compared to approximately RMB211.2 million as at 31 December 2014.

Capital expenditure

The Group's capital expenditures incurred are mainly for the renovation of office and the purchase of a property, printing machinery and office equipment. Capital expenditures were RMB1.7 million and RMB18.4 million for the years ended 31 December 2014 and 31 December 2015, respectively.

Exposure to fluctuations in exchange rates

The Group operates principally in the PRC. Majority of recognised assets and liabilities are denominated in RMB and majority of transactions are settled in RMB. Foreign exchange risk mainly arises from cash and cash equivalent balance denominated in Hong Kong dollar. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 31 December 2015, if Hong Kong dollar had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year would have been RMB4,805,000 (2014: RMB121,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of HKD denominated cash and cash equivalent balance.

Contingent liabilities

The Group follows the guidance of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" to determine when contingent liabilities should be recognised, which requires significant judgement.

As at 31 December 2015, the Group had the following contingent liabilities:

(a) Lawsuits between the Group and Shenyang Media Corporation

Regarding the judgement of first instance issued by the Shenyang Intermediate People's Court on 30 August 2012 in favour of Shenyang Media Corporation against Liaoning Aohai, the Group made a provision of RMB17,250,398 in the year ended 31 December 2014 after a series of attempts to appeal with unsatisfactory results. To facilitate the streamlining of the Group's structure, Liaoning Aohai was disposed of to an independent third party of the Group on 30 November 2015.

(b) Enforcement order issued by Yueyang City Intermediate People's Court against certain Group subsidiaries

Regarding the two enforcement judgements issued by Yueyang Intermediate People's Court on 22 September 2013 in favour of Yueyanglin Paper Co., Ltd. against Fuzhou Aohai and Kunming AoHai, the Group made a provision of RMB22,000,000 in the year ended 31 December 2014 after a series of attempts to appeal with unsatisfactory results. To facilitate the streamlining of the Group's structure, Fuzhou AoHai and Kunming AoHai were separately disposed of to independent third parties of the Group, on 12 May 2015 and 31 December 2013 respectively.

Pledge of assets

As at 31 December 2015, the Group had pledged ownership right of properties acquired by prepayment with carrying value of RMB22,907,000 (31 December 2014: Nil) for security of mortgage loans granted by a bank to the Group.

Bank loans, overdraft and other borrowings

As at 31 December 2015, the Group had bank borrowings of approximately RMB13.6 million.

Gearing ratio

As at 31 December 2015, the Group's gearing ratio (calculated as total borrowings divided by total assets) was 6.0%. (31 December 2014: Nil).

Employees and remuneration policies

As at 31 December 2015, the Group had approximately 291 fulltime employees. Total staff costs including Directors' remuneration for the year ended 31 December 2015 was approximately RMB51.8 million (2014: approximately RMB73.3 million).

The remuneration of the directors is evaluated by the remuneration committee and the committee makes recommendations to the Board. In addition, the remuneration committee reviews the performance, and determines the remuneration structure, of the Group's senior management.

The Company operates an employee share option scheme, the purpose of which is to incentivise or reward eligible individuals who provide services to the Company for their contributions and their continuing efforts to promote the interests of the Company, and for other purposes as the Board may approve from time to time.

Material acquisitions and disposals of subsidiaries and associates

During the year ended 31 December 2015, the Group did not enter into any material acquisitions or disposals of subsidiaries and associates.

Prospect

In 2015, the Chinese film market broke box office records with a year-on-year surge of 48.7%, totaling RMB44.069 billion. In February 2016 alone, total box office receipts in China amounted to approximately RMB6.9 billion, setting a new monthly record and surpassing North America as the largest market in the world for the first time. It is expected that the Chinese film market will enter a golden age of development. The Group believes that the spending of the Chinese consumers on films, TV dramas and other cultural products will continue to rise and the film and TV drama markets are promising. As the film and TV industries are closely linked to the advertising and media industries, in which the Group operates, the Group is confident that it will benefit from this development.

As such, the Group planned to reform its business structure in 2016. While carrying on its existing cultural and media businesses in a prudent manner, the Group will expand into the film business to create synergies. To foster its long-term development, the Group appointed Mr. Siuming Tsui as an executive Director in December 2015 and as the Chief Executive Officer of the Group in January 2016. Mr. Siuming Tsui, who has extensive experience, broad network and great insight in the mainland and Hong Kong film industries, will provide able leadership to the Group's film and media business development while creating synergies for the Group's traditional advertising business by bringing in new connections and insights.

The Group has formulated short-, medium- and long-term development strategies for its film business. In the near future where the film business is still in an early stage, the Group will enlarge its immediate income stream by actively identifying quality film projects in progress for collaboration. In the medium-term, it will seek film partnership opportunities with seasoned production teams. Once the business has established a solid foothold, the Group will consider its own film production with the aim of providing quality entertainment while completing the Group's business model with short-, medium- and long-term incomes.

While progressively implementing these strategies, the Group has prepared itself for a strategic development in the Chinese cultural, media, film and TV markets where huge potential for growth presents.

(iii) For the year ended 31 December 2016

Business review

As reading habits of consumers continued to reshape, the Chinese advertising industry was still undergoing structural adjustments. The unstoppable shift of advertisers from print media to the Internet and other new media posed challenges to the newspaper advertising market in 2016. Both the newspaper advertising and printing service businesses of the Group were thus under pressure. Nevertheless, challenge comes with opportunity. The Group's well-recognised brand positioning and marketing services captured the opportunities brought by the active property market in 2016 and boosted revenue from the marketing, consulting and printing services business and alleviated some of its pressure.

To capitalise on the booming development of the Chinese film and television ("**TV**") as well as the cultural and media markets and create synergies, the Group continued to explore opportunities, such as investment in and production and management of film and TV projects, while carrying on its existing cultural and media business during the year under review. On 22 February 2016, the Group entered into a movie investment agreement with Shanghai Hehe Film Investment Co., Ltd., a movie executive producer in China, pursuant to which the Group has agreed to acquire 55% of the income right of a movie, Ip Man 3, for 30 years. The purchase consideration of HK$131,168,000 (equivalent to RMB110,000,000) was paid on 23 February 2016.

(i) Newspaper advertising

As the young were flocking to online channels for information, online new media and mobile Internet advertising channels proliferated last year. In particular, the maturing "self media" advertising channel has been gaining share of advertising revenue from the traditional print media. The traditional advertising industry faced tremendous challenges in 2016.

Under the pressure and threats brought by the new media and the Internet, the Group only kept Southeast Express while terminating the other newspapers in 2016. Unfortunately, Southeast Express was also unprofitable due to a significant drop in daily circulation and number of pages during the year under review. In 2016, the Group's revenue from newspaper advertisements diminished further to RMB17.1 million, down by 50.8% as compared with the previous year. Revenue from this segment in 2016 accounted for approximately 29.7% of the Group's total revenue, much lower than that of 51.9% for the previous year.

(ii) Online services

In 2016, the Group's online services consisted mainly of Fangke Web (www.fangke.cn), DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). In an effort to integrate its online and traditional print media channels and create synergies in terms of resources and technologies, the Group has further developed new Internet media platforms.

During the year under review, the Group's online service business was still seeking ways to generate profit, and has not delivered any revenue or gross profit (2015: revenue of RMB0.5 million; gross profit of RMB0.4 million). In order to enhance resource efficiency, the Group decided to streamline the technician teams of the three aforementioned websites in the second half of 2016 so as to curb costs.

(iii) Marketing, consulting and printing services

As print media were increasingly replaced by online new media, the operating environment has been deteriorating. Nevertheless, taking advantage of the prosperous property market and leveraging the Group's capital strength, technological edge and professional team, the marketing division recorded satisfactory results and bolstered the marketing, consulting and printing service business as a whole in 2016. Revenue from those services increased by 28.3% as compared with the previous year to RMB40.6 million during the year under review, representing 70.3% of the revenue from the core businesses.

The Group endeavours to maintain exclusive co-operation with some of its existing newspaper partners by selling their advertising spaces and providing them with integrated services as well as certain additional services, such as printing, consulting and marketing advice. In relation to distribution and management services, the Group continued to provide comprehensive services for Southeast Express. For the printing service business, the Group's factory in Fuzhou operated smoothly and concentrated on printing Southeast Express. The Group will insist on its stringent control of the printing quality of its publications so as to ensure the quality of all of its advertisements and provide the best services to its existing media partners.

Furthermore, the active property market in China during the year under review has driven up the number of property projects that engaged us in their marketing. In addition, the property development projects secured in 2015 were available for sale during the year. Sales of such properties contributed marketing income to the Group and boosted the planning fee and commission income from the Group's planning and marketing services for property projects to RMB36.5 million, representing an increase of 61.5% as compared with 2015.

Financial performance

The Group's total revenue decreased by 13.7% from RMB67.0 million for the year ended 31 December 2015 to RMB57.8 million for the year ended 31 December 2016. Such decrease was primarily due to the reduced advertising spending in certain sectors, such as real estate, who have entered an adjustment cycle triggered by the domestic economic slowdown, the continuous switch of advertising platform from print media to new online media, the shift in clients' promotion strategies and the restructuring of the advertising market. The Group's revenue from newspaper advertising decreased from RMB34.8 million for the year ended 31 December 2015 to RMB17.1 million for the year ended 31 December 2016, and revenue from marketing, consulting and printing services increased from RMB31.7 million for the year ended 31 December 2015 to RMB40.6 million for the year ended 31 December 2016.

The Group made a turnaround from gross loss of RMB5.8 million for the year ended 31 December 2015 to gross profit of RMB9.7 million for the year ended 31 December 2016. The Group's gross profit margin improved from gross loss margin of 8.7% in 2015 to gross profit margin of 16.8% in 2016, which was primarily attributable to the satisfactory performance of marketing, consulting and printing services, which offset the significant drop in revenue of newspaper advertising.

For the year ended 31 December 2016, the Group recorded a net loss for the year of RMB56.4 million, which was mainly attributable to the decline in newspaper advertising revenue, and the increases in overheads and rental expenses due to the Group's business diversification and expansion.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2016, the Group had net current assets of approximately RMB170.8 million (2015: RMB101.9 million). The increase in net current assets was primarily due to (i) the increase in cash and cash equivalents of approximately RMB73.3 million; and (ii) the decrease in other payables and accrued expenses of approximately RMB10.3 million, which was partially offset by the decrease in properties held for sale of approximately RMB7.8 million.

The Group recorded a net cash inflow of approximately RMB62.2 million for the year ended 31 December 2016. The net cash inflow was mainly contributed by the aggregated net proceeds of approximately RMB218.4 million from subscription and placing of new Shares completed in February 2016 and August 2016, respectively, and was partially offset by (i) the net cash outflow from operating activities of approximately RMB47.3 million; and (ii) the net cash outflow from investing activities of approximately RMB106.6 million.

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB182.8 million. As at 31 December 2016, the Group had bank borrowings of approximately RMB11.4 million, all of which were short-term borrowings.

Capital structure

As at 31 December 2016, the Group's current liabilities and non-current liabilities amounted to approximately RMB66.6 million and approximately RMB928,000, respectively. The equity attributable to the equity holders of the Company amounted to approximately RMB294.2 million as at 31 December 2016, representing an increase of 109.0% as compared to approximately RMB140.8 million as at 31 December 2015.

Capital expenditure

The capital expenditures of the Group incurred during the year ended 31 December 2016 were mainly for the renovation of office and the purchase of motor vehicles. For the years ended 31 December 2015 and 2016, the Group's capital expenditures were RMB18.4 million and RMB6.5 million, respectively.

Exposure to fluctuations in exchange rates

The Group operates principally in the PRC. Majority of recognised assets and liabilities are denominated in RMB and majority of transactions are settled in RMB. Foreign exchange risk mainly arises from cash and cash equivalent balance denominated in Hong Kong dollar. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 31 December 2016, if Hong Kong dollar had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year would have been RMB8,191,000 (2015: RMB4,805,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollar denominated cash and cash equivalent balance.

Contingent liabilities

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

Pledge of assets

As at 31 December 2016, the Group had pledged ownership right of properties acquired by prepayment with carrying value of RMB23,626,000 (31 December 2015: RMB22,907,000) for security of mortgage loans granted by a bank to the Group.

Bank loans, overdraft and other borrowings

As at 31 December 2016, the Group had bank borrowings of approximately RMB11.4 million, all of which were short-term borrowings.

Gearing ratio

As at 31 December 2016, the Group's gearing ratio (calculated as total borrowings divided by total assets) was approximately 3.1%. (31 December 2015: 6.0%).

Employees and remuneration policies

As at 31 December 2016, the Group had 238 full-time employees (2015: 291). Total staff costs including directors' remuneration for the year ended 31 December 2016 were RMB45.8 million (2015: RMB51.8 million).

The remuneration of the Directors is evaluated by the remuneration committee, which also makes recommendations to the Board. In addition, the remuneration committee reviews the performance, and determines the remuneration structure, of the Group's senior management.

The Company operates an employee share option scheme, the purpose of which is to incentivise or reward eligible individuals who provide services to the Company for their contributions and their continuing efforts to promote the interests of the Company, and for other purposes as the Board may approve from time to time.

Material acquisitions and disposals of subsidiaries and associates

During the year ended 31 December 2016, the Group did not enter into any material acquisitions or disposals of subsidiaries and associates.

Prospect

Looking forward to 2017, the Chinese economy is expected to grow steadily as a whole, and the central government targets at a growth rate of around 6.5% in GDP. The Group believes that it will enjoy enormous room for business expansion as the demand of the Chinese consumers for film, TV and other cultural products will remain strong and the property market will be bolstered by solid demand.

For the newspaper advertising business, the Group will actively carry on the integration of the traditional print media and online new media, though it has not yet identified a profitable business model. To cope with the expected continual deterioration of the publishing and advertising business, the Group will also prepare itself for any suitable investment opportunities in the future.

The Group is confident about the prospects of the property marketing business. With years of marketing experience and the expertise of its team, it will step up its investment to identify opportunities to provide planning and marketing services to more property projects, thereby improving and expanding this sector. The management is well aware of the potential of the upstream commercial property market, and is currently studying potential market opportunities of offering more comprehensive marketing services to commercial property projects.

In view of the emergence of online films and online TV series thanks to the proliferation of mobile phones and tablets, the Group plans to diversify into the business of online videos, with the view to integrating the traditional film and TV with new media. The Group believes that the prospects of the film, TV and cultural market will be promising, and will keep an eye on and seize investment opportunities in independent productions.

With the extensive experience in film and TV entertainment production and management as well as the influence of its management team, particularly Mr. Siuming Tsui, an executive director and Chief Executive Officer, the Board believes that the Group will be able to seize the value of film and TV contents while devising a comprehensive film, TV and cultural business model.

(iv) For the six months ended 30 June 2017

Business review

Along with the rapid development of the new media and other forms of online advertising in recent years, China's advertising industry inevitably underwent restructuring due to the irreversible fact that the industrial ecology was switching from the print media to the Internet and other new media.

During the period under review, the Group continued to explore opportunities to expand the investment in the production, management and content distribution of films and television drama series while carrying out the steady development of the existing cultural media business.

(i) Newspaper advertising

The business environment was more challenging in the print media market as the market was being replaced by new online media. Under the pressure and threat from the new media and the Internet, the Group concentrated its business resources on Southeast Express in the first half of 2017. However, the daily circulation and the number of printed pages of the newspaper remained unsatisfactory, resulting in a decrease of the advertising revenue from the newspaper to RMB3.5 million (first half of 2016: RMB8.1 million). During the period under review, the Group effectively kept its costs under control, resulting in a gross profit margin of 27.6%, an increase of 3.8% over the corresponding period in the previous year.

(ii) Online services

In the first half of 2017, the Group's online services consisted mainly of Fangke Web (www.fangke.cn), DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). By continual development of the Internet-based media platform, the sharing of resources on the traditional offline and online platforms was improved and the complementary effects were created on an ongoing basis.

During the period under review, the Group was still formulating a revenue model for its online services. No revenue was contributed to the Group yet as the platform was revamped and resources were reallocated in the first half of 2017, and the look of the website was still under revision.

(iii) Marketing, consulting and printing services

Although the newspaper advertising services were hit by the changes in the business environment during the period under review, the Group managed to capture the marketing opportunities arising from the hot sales in the real estate sector during the period under review and maintained business gains from its marketing, consulting and printing services, benefiting from the solid business foundation built up by the Group over the years, highly recognised brand positioning in the market as well as flexible and changeable marketing strategies.

Against the backdrop of a flourishing real estate market, the Group reaped steady gains from the marketing business in the first half of 2017 with its capital strength, technological edge and professional team, sending the marketing, consulting and printing services picking up as a whole. During the period under review, the Group's revenue from that segment was approximately RMB17.0 million, representing a slight decrease of 2.9% from the previous year, while the gross profit margin was 22.8% (first half of 2016: 27.4%).

As for the marketing, consulting and printing services, the Group intends to contribute extra resources on this business segment, in an effort to leverage on its extensive experience in advertising and marketing for many years.

Financial performance

Total revenue of the Group decreased by 20.3% from RMB25.6 million for the six months ended 30 June 2016 to RMB20.4 million for the six months ended 30 June 2017. Such decrease was primarily because of the slowdown in domestic economic growth due to a variety of factors, thereby posing a downward pressure on the total revenue. Furthermore, due to the restructuring of the real estate industry, the proliferation of online new media, the change in clients' advertising strategy and the restructuring of the advertising market, revenue from newspaper advertising decreased from RMB8.1 million for the six months ended 30 June 2016 to RMB3.5 million for the six months ended 30 June 2017 and revenue from marketing, consulting and printing services decreased from RMB17.5 million for the six months ended 30 June 2016 to RMB17.0 million for the six months ended 30 June 2017.

The Group recorded a gross profit of RMB4.8 million for the six months ended 30 June 2017 (first half of 2016: RMB5.1 million). The slight decrease in gross profit was mainly attributable to the decrease in revenue.

The Group recorded a net loss of RMB32.9 million for the six months ended 30 June 2017, which was mainly attributable to the increase in overheads and rental expenses due to the Group's business diversification and expansion.

Analysis on financial conditions

Liquidity and financial resources

As at 30 June 2017, the Group had net current assets of approximately RMB116.3 million (31 December 2016: RMB170.8 million). The decrease in net current assets was primarily due to (i) the decrease in cash and cash equivalents of approximately RMB59.3 million; and (ii) the decrease in properties held for sale of approximately RMB7.9 million.

The Group recorded a net cash outflow of approximately RMB55.4 million for the six months ended 30 June 2017. The net cash outflow was mainly contributed by (i) the net cash outflow from operating activities of approximately RMB25.6 million; and (ii) the net cash outflow from investing activities of approximately RMB28.7 million.

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB123.5 million. As at 30 June 2017, the Group had bank borrowings of approximately RMB10.2 million, all of which were short-term borrowings.

Capital structure

As at 30 June 2017, the Group's current liabilities and non-current liabilities amounted to approximately RMB65.3 million and approximately RMB180,000, respectively. The equity attributable to the equity holders of the Company amounted to approximately RMB261.9 million as at 30 June 2017, representing a decrease of 11.0% as compared to approximately RMB294.2 million as at 31 December 2016.

Capital expenditure

The Group's business generally does not require significant ongoing capital expenditures. The Group incurs capital expenditures mainly for leasehold improvement and the purchase of office equipment. The Group's capital expenditures were RMB73,000 and RMB5.9 million for the six months ended 30 June 2017 and 30 June 2016, respectively.

Exposure to fluctuations in exchange rates

The Group operates principally in the PRC. Majority of recognised assets and liabilities are denominated in RMB and majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk. The Group had only insignificant foreign exchange risk exposure to US dollar and HK dollar as at 30 June 2017.

Contingent liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Pledge of assets

As at 30 June 2017, the Group had pledged ownership right of properties acquired by prepayment with carrying value of RMB23,938,000 (31 December 2016: RMB23,626,000) for security of mortgage loans granted by a bank to the Group.

Bank loans, overdraft and other borrowings

As at 30 June 2017, the Group had bank borrowings of approximately RMB10.2 million, all of which were short-term borrowings.

Gearing ratio

As at 30 June 2017, the Group's gearing ratio (calculated as total borrowings divided by total assets) was approximately 3.1%. (31 December 2016: 3.1%).

Employees and remuneration policies

As at 30 June 2017, the Group had approximately 206 full-time employees (31 December 2016: 238). Total staff costs including directors' remuneration for the six months ended 30 June 2017 was approximately RMB21.6 million (for the six months ended 30 June 2016: approximately RMB23.5 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees.

The compensation of the Directors is evaluated by the remuneration committee of the Company, which makes recommendations to the Board. In addition, the remuneration committee conducts regular reviews of Directors' and senior management's performance, and determines the compensation structure of the Group's senior management.

Material acquisitions and disposals of subsidiaries and associates

Save for the entering into of the Acquisition Agreement, the Group did not enter into any material acquisitions or disposals of subsidiaries and associates during the six months ended 30 June 2017.

Prospect

Following the introduction of the Film Industry Promotion Law in March 2017 requiring that China-made films shall account for no less than two-thirds of screening time at cinemas across the country every year, the Group expected the film producing industry in China will continue to prosper in the second half of 2017. The Group believed the prospects for the film and television cultural industries will remain positive with the advent of online blockbusters and online TV drama series.

To leverage on the prosperous e-commerce market in China, the Group is upgrading the web site of Duk (www.duk.cn), its digital media distribution. The Group is also discussing with potential business partners to improve the content of www.duk.cn to attract more viewers and members. The Group is also planning to recruit more software engineers and programmers in the second half of 2017 to reinforce the R&D.

As for the marketing, consulting and printing services, the Group will continue to commit resources in this growing business segment based on its extensive experience in advertising and marketing built up over the years as well as team's expertise. It will explore more real estate projects, especially those with enormous opportunities arising from the comprehensive marketing services for commercial property projects, to sustain profit contribution to the Group.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the business of publishing and advertising in the PRC.

During the past two years, Chinese economic growth dwindled and the Group faced sustained sluggishness in both internal and external demands against the backdrop of political reshuffle. The Group adopted strategies such as consolidating with cultural media and film media business in PRC as a response to the undergoing structural adjustments in the media channel and advertising market.

For the six months ended 30 June 2017, the Group recorded total revenue of approximately RMB20.4 million, representing a decrease of approximately 20.3% as compared with the corresponding period in 2016. The decrease was primarily due to the restructuring of the real estate industry, the proliferation of online new media, the change in clients' advertising strategy and the restructuring of the advertising market. To leverage on the prosperous e-commerce market in the PRC, the Group is (i) upgrading the website of Duk (www.duk.cn) and its digital media distribution; (ii) discussing with potential business partners to improve the content of website of Duk to attract more viewers and members; and (iii) planning to recruit more software engineers and programmers in the second half of 2017 to reinforce the R&D. The Group will continue to commit resources based on its extensive experience in advertising and marketing built up over the years as well as team's expertise. The Board will explore more real estate projects, especially those with enormous opportunities arising from the comprehensive marketing services for commercial property projects, to sustain profit contribution to the Group.

Following the introduction of the Film Industry Promotion Law in March 2016 requiring that China-made films shall account for no less than two-thirds of screening time at cinemas across the country every year, we expect the film producing industry in China will continue to prosper in the second half of 2017. The Group believes the prospects for the film and television cultural industries will remain positive with the advent of online blockbusters and online television drama series.

Leveraging on the long term expertise and excellent knowledge of media and advertising business, the Enlarged Group will make full use of the synergy effect in industry scale and business diversification, in particular the development of the Land situated in Beijing City, the PRC, to improve profitability of the Enlarged Group and obtain brand premium. In view that the prospect of cultural media and film production sector in the PRC is promising, the Directors believe that the Project will enable the Enlarged Group to broaden its income source and enhance its financial stability.

In addition to the proposed use of the Land, the Enlarged Group will continue to utilize its own advantage to advertise the new multi-media, entertainment and tourism business. Upon Completion, the Enlarged Group will develop the Project by working in partnership with independent third parties and benefit by sharing the expertise and resources of the project partners in support of the Project. The Board believes that the Project will become one of the main revenue stream for the Enlarged Group.

At the same time, the Group has participated in the Yongtai Project and obtained the 40-years' exclusive Operation Right of the Operation Site. The Board believes that the Group's participation in the Yongtai Project and the Operation Right Acquisition can diversify the Group's business into integrated project development with synergy with the Company's existing media and movie businesses, broaden its income stream in the long run, and further reduce its reliance on the downtrend printed media business.

As at the Latest Practicable Date, the Board had no intention, arrangement, understanding nor negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the existing business of the Group.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHIFANG HOLDING LIMITED

Introduction

We report on the historical financial information of Supreme Glory Limited (the "**Target**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-44, which comprises the consolidated and company statements of financial position as at 31 March 2017 and 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 9 June 2016 (date of incorporation) to 31 March 2017 and the nine months ended 31 December 2017 (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-44 forms an integral part of this report, which has been prepared for inclusion in the circular of ShiFang Holding Limited (the "**Company**") dated 27 March 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of the Target 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 preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statement**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Target and its subsidiaries now comprising the Target Group for the Track Record Period. The directors of the respective companies now comprising the Target Group are responsible for the preparation and fair presentation of the respective company's financial statements in accordance with the relevant accounting principles generally accepted by their place of incorporation, and for such internal control as the directors of the Target determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's 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, *Accountant's 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 accountant's 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 accountant considers 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 preparation set out in Note 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 of the Company, 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 accountant's report, a true and fair view of the financial position of the Target as at 31 March 2017 and 31 December 2017 and the consolidated financial position of the Target Group as at 31 March 2017 and 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 9 June 2016 (date of incorporation) to 31 December 2016 and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). 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 International 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 Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 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, no adjustments to the Underlying Financial Statement have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
27 March 2018

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from 9 June 2016 (date of incorporation) to 31 March 2017	Period from 9 June 2016 (date of incorporation) to 31 December 2016	Nine months ended 31 December 2017
		RMB'000	*RMB'000*	*RMB'000*
			(unaudited)	
Administrative expenses	*17*	(896)	–	(4,216)
Loss before income tax		(896)	–	(4,216)
Income tax credit	*19*	219	–	984
Loss and total comprehensive loss for the period attributable to owners of the Target		(677)	–	(3,232)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2017 RMB'000	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	15,535	15,242
Goodwill	7	105,620	105,620
Right to a land lease	8	198,311	194,668
Available-for-sale financial asset	9	–	1,200
		319,466	316,730
Current assets			
Prepayment and other receivables	10	88	117
Cash and cash equivalents	11	1	5
		89	122
Total assets		319,555	316,852
EQUITY			
Equity attributable to owners of the Target			
Share capital	12	302	302
Share premium	12	266,351	266,351
Accumulated losses		(677)	(3,909)
Total equity		265,976	262,744
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	53,461	52,477
Amount due to a related party	16	–	1,624
		53,461	54,101
Current liabilities			
Accruals and other payables	15	11	7
Amount due to a related party	16	107	–
		118	7
Total liabilities		53,579	54,108
Total equity and liabilities		319,555	316,852

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2017 RMB'000	As at 31 December 2017 RMB'000
ASSET			
Non-current asset			
Investment in a subsidiary	*13*	266,653	266,653
Total asset		266,653	266,653
EQUITY			
Equity attributable to owners of the Target			
Share capital	*12*	302	302
Share premium	*12*	266,351	266,351
Total equity		266,653	266,653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000* *(Note 12)*	Share premium *RMB'000* *(Note 12)*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 9 June 2016 (date of incorporation)	–	–	–	–
Comprehensive income				
Loss for the period	–	–	(677)	(677)
Total comprehensive income	–	–	(677)	(677)
Transactions with owners				
Issuance of ordinary shares *(Note 12(a))*	302	266,351	–	266,653
Total transactions with owners	302	266,351	–	266,653
Balance at 31 March 2017	302	266,351	(677)	265,976
Balance at 9 June 2016 (date of incorporation)	–	–	–	–
Comprehensive income				
Loss for the period	–	–	–	–
Total comprehensive income	–	–	–	–
Transactions with owners				
Issuance of ordinary shares *(Note 12(b) and (c))*	–	–	–	–
Total transactions with owners	–	–	–	–
Balance at 31 December 2016 (unaudited)	–	–	–	–
Balance at 1 April 2017	302	266,351	(677)	265,976
Comprehensive income				
Loss for the period	–	–	(3,232)	(3,232)
Total comprehensive income	–	–	(3,232)	(3,232)
Balance at 31 December 2017	302	266,351	(3,909)	262,744

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period from 9 June 2016 (date of incorporation) to 31 March 2017 *RMB'000*	Period from 9 June 2016 (date of incorporation) to 31 December 2016 *RMB'000* (unaudited)	Nine months ended 31 December 2017 *RMB'000*
Cash flows from operating activities				
Loss before income tax		(896)	–	(4,216)
Adjustments for:				
– Depreciation	*6*	65	–	293
– Amortisation	*8*	809	–	3,643
Operating loss before changes in working capital:		(22)	–	(280)
– Prepayment and other receivables		18	–	(29)
– Accruals and other payables		4	–	313
Net cash generated from operations		–	–	4
Income tax paid		–	–	–
Net cash generated from operating activities		–	–	4
Cash flows from investing activities				
Acquisition of a subsidiary, net of cash acquired	*22*	1	–	–
Acquisition of an investment classified as available-for-sale financial asset	*9*	–	–	(1,200)
Net cash generated from/(used in) investing activities		1	–	(1,200)

	Note	Period from 9 June 2016 (date of incorporation) to 31 March 2017 *RMB'000*	Period from 9 June 2016 (date of incorporation) to 31 December 2016 *RMB'000* (unaudited)	Nine months ended 31 December 2017 *RMB'000*
Cash flows from financing activity				
Drawdown of loan from a director of a subsidiary	*16*	–	–	1,200
Net cash generated from financing activity		–	–	1,200
Net increase in cash and cash equivalents		1	–	4
Cash and cash equivalents at beginning of the period		–	–	1
Cash and cash equivalents at end of the period	*11*	1	–	5

Non-cash transactions:

The principal non-cash transactions are the receipt of promissory notes from the shareholders of the Target for subscription of the Target's ordinary shares issued during the period (Note 12) and the settlement of consideration for the acquisition of a subsidiary (Note 22).

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Supreme Glory Limited (the "**Target**") was incorporated in Samoa on 9 June 2016 with limited liability under the International Companies Act 1998, Section 14(3) of Samoa. The address of its registered office is Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, PO Box 1868, Apia, Samoa.

The Target is an investment holding company. The Target and its subsidiaries (together, the "**Target Group**") are principally engaged in the design, construction and operation of a multi-purpose media, resort and eco-tourism project in Beijing of the People's Republic of China (the "**PRC**").

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to Track Record Period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of Supreme Glory Limited has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Stub Period Comparative Financial Information has been prepared in accordance with the same basis of preparation adopted in respect of the Historical Financial Information.

As the Target is newly incorporated on 9 June 2016, the Stub Period Comparative Financial Information covers the period from 9 June 2016 (date of incorporation) to 31 December 2016. This information does not cover a period of 9 month period, and they are not entirely comparable.

The following new standards, amendments to standards and interpretations have been published for accounting periods beginning on or after 1 January 2018 or later periods, but have not been early adopted by the Target Group:

Amendment to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendment to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts[1]
IFRS 15	Revenue from contracts with customers[1]
Amendment to IFRS 15	Clarifications to IFRS 15[1]
IFRS 9	Financial instruments[1]
Amendments to IAS 40	Transfers of investment property[1]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRS 16	Leases[2]
IFRIC 23	Uncertainty over income tax treatment[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date to be determined

None of these new standards, amendments to standards and interpretations is expected to have a significant effect on the consolidated financial statements of the Target Group, except the following set out below:

Impact of IFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management of the Target Group has reviewed its financial assets and liabilities. The debt instruments that are currently classified as available-for-sale ("AFS") do not meet the criteria to be classified either as at fair value through other comprehensive income or at amortised cost and the debt instrument will have to be reclassified to financial assets at fair value through profit or loss. Related fair value gains (if any) will have to be transferred from the available-for-sale financial assets reserve to retained earnings/accumulated losses on 1 January 2018.

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Target Group's financial assets. Based on preliminary assessment by the management, it is not expected to have a material impact on the Target Group's consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Target Group will apply the rule retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Impact of IFRS 15, "Revenue from contracts with customers"

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management assessed the impact of the adoption of IFRS 15 and does not expect the adoption would have a material impact on the Target Group's consolidated financial statements.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Target Group does not adopt the standard before its effective date.

Impact of IFRS 16, "Leases"

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Target Group's operating leases. As at 31 March 2017 and 31 December 2017, the Target Group has non-cancellable operating lease commitments of RMB4,799,000 and RMB4,693,000 (Note 20) respectively. Base on management's preliminary assessment, upon the adoption of IFRS 16, the impact is likely to be the present value of the operating lease commitments being shown as a liability on the statement of financial position together with an asset representing the right to use.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Target Group does not intend to adopt the standard before its effective date.

Impact of IFRS 17, "Insurance contracts"

IFRS 17 "Insurance Contracts" establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this new standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of consolidated financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Target Group is in the process of making an assessment on the impact of this new standard and does not anticipate the implementation will result in any significant impact on the Target Group's consolidated financial positions and results of operations.

2.2 *Subsidiaries*

(i) Consolidation

Subsidiaries are all entities (including a structured entities) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

(ii) Business combinations

The Target Group applies acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Target Group's accounting policies.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Target that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Target's functional and the Target Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "administrative expenses".

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 repairs and maintenance costs are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	40 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2.6 Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.7 Right to a land lease

Right to a land lease represents the operating lease with favourable terms relative to market terms as acquired in a business combination that are recognised at fair value at the acquisition date. The right to a land lease has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 41 years.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

Classification

The Target Group classifies its financial assets as loans and receivables and available-for-sale financial asset. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period or after the normal operating cycle of the Target Group. These are classified as non-current assets. The Target Group's loans and receivables comprise "cash and cash equivalents" and "other receivables" in the consolidated statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Target Group commits to purchase or sell the asset. Loans and receivables and available-for-sale financial asset are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial asset is subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Group or the counterparty.

2.10 Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Ordinary Shares issued for non-cash consideration are initially recognised at the fair value of the non-cash consideration received.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Other payables

Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Target and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

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

2.16 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current accrual and other payables in the consolidated statement of financial position.

(ii) Pension obligations

Full time employees of the PRC entities participate in a government mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Target to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Management regularly manages the financial risks of the Target Group. Because of the simplicity of the financial structure and the current operations of the Target Group, no hedging activities are undertaken by management.

(i) Market risk

(a) Foreign exchange risk

The Target Group operates locally and all of the transactions are primarily conducted through entity established in China and denominated in RMB. The Target Group is not exposed to significant foreign exchange risk as there is no significant receivables and payables balances that were denominated in foreign currencies.

(b) Cash flow interest rate risk

As at 31 March 2017 and 31 December 2017, the Target Group has no significant interest-bearing assets or liabilities, the income and operating cash flows of which are substantially independent of changes in market interest rates. The directors of the Company are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Target Group's cash flows and results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(ii) Credit risk

As at 31 March 2017, the Target Group has no significant financial assets that exposed the Target Group to credit risk.

As at 31 December 2017, the Target Group held an investment classified as available-for-sale financial asset. The Target Group will conduct credit assessment based on the credit history and credit information of the counterparty and the management of the Target Group believes that no provision for impairment is necessary.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Target Group's primary cash requirements have been for payments for other payables, accrued liabilities, amount due to a related party and operating expenses. The Target Group mainly finances its working capital requirements through a combination of internal resources and funding from its shareholders and related parties.

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which approximate their carrying amounts as the impact of discounting is not significant.

	Within 1 year	1 to 2 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 March 2017			
Accruals	11	–	11
Amount due to a related party	107	–	107
	118	–	118
As at 31 December 2017			
Other payables	7	–	7
Amount due to a related party	–	1,624	1,624
	7	1,624	1,631

3.2 Capital risk management

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

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

3.3 Fair value estimation

As at 31 March 2017 and 31 December 2017, the carrying amounts of the following financial assets and financial liabilities approximate their fair values as all of them are short-term in nature: cash and cash equivalents, other receivables, other payables and amount due to a related party.

As at 31 December 2017, available-for-sale financial asset is measured at fair value by adopting discounted cash flow method (Note 9).

Certain promissory notes are received from shareholders of the Target as non-cash consideration for ordinary shares issued during the period from 9 June 2016 (date of incorporation) to 31 March 2017. Accordingly, the share capital, including share premium, are initially recognised at the fair value of the promissory notes received. The fair value of the promissory notes are estimated by discounted cash flow model with a discount rate of 12.51%. Should the discount rate adopted increase/decrease by 1%, the carrying value of the share capital, including share premium, would have been RMB1,902,000 lower/higher for the period from 9 June 2016 (date of incorporation) to 31 March 2017 and for the nine months period ended 31 December 2017.

4 Critical accounting estimates and judgements

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of consideration transferred and net identifiable assets arising from business combination

The Target completed the acquisition of Wah Shi Enterprises Limited ("**Wah Shi Enterprises**") on 13 January 2017. Management of the Target has engaged an independent valuer to assist in performing the purchase price allocation assessment on the fair values of assets acquired and liabilities assumed as at the acquisition date.

Significant management judgements were involved in the valuation methodology and underlying assumptions of the valuation of purchase price allocation, including discount rate used for the determination of fair value of consideration transferred, market rental yield rate and adjusting factors regarding location, size and nature adopted for the determination of fair value of right to a land lease and property, plant and equipment.

Had the Target Group used different inputs or assumptions, the fair value of the consideration transferred, right to a land lease, property, plant and equipment, other identifiable assets acquired and liabilities assumed and the goodwill recognised would be different and thus cause impact to the consolidated statement of financial position. Details of the business combination are disclosed in Note 22.

(b) Impairment of assets

The Target Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets are tested for impairment and when assets are impaired, which requires significant judgement.

Management of the Target Group has performed goodwill impairment review annually on 31 March 2017. The Target Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (a CGU). The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns.

Changes in the key assumptions on which the recoverable amount of the assets is based could significantly affect the Target Group's financial position and results of operations.

For the nine months ended 31 December 2017, management of the Target Group assessed if there was any events or changes in circumstances that indicate that goodwill might be impaired. In making this judgement, the management of the Target Group has taken into consideration the budget and latest development of the Target Group and determined that there was no such events or changes in circumstances exists for the nine months ended 31 December 2017.

(c) Income taxes

The Target Group is principally subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Target Group recognises liabilities for anticipated tax audit issued based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision and deferred income tax assets and liabilities in the period in which such determination is made.

5 Segment information

The directors of the Target have been identified as the CODM. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The directors of the Target consider the Target Group's operations as a single business segment with no revenue generated in the Track Record Period. Accordingly, no segment information is presented.

6 Property, plant and equipment

	Building
	RMB'000
At 9 June 2016	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
Period from 9 June 2016 to 31 March 2017	
Opening net carrying amount	–
Acquisition of a subsidiary *(Note 22)*	15,600
Depreciation *(Note 17)*	(65)
Closing net carrying amount	15,535
At 31 March 2017	
Cost	15,600
Accumulated depreciation	(65)
Net carrying amount	15,535
Nine months ended 31 December 2017	
Opening net carrying amount	15,535
Depreciation *(Note 17)*	(293)
Closing net carrying amount	15,242
At 31 December 2017	
Cost	15,600
Accumulated depreciation	(358)
Net carrying amount	15,242

7 Goodwill

	Goodwill
	RMB'000
At 9 June 2016	
Cost and net carrying amount	–
Period from 9 June 2016 to 31 March 2017	
Opening net carrying amount	–
Acquisition of a subsidiary *(Note 22)*	105,620
Closing net carrying amount	105,620
At 31 March 2017	
Cost and net carrying amount	105,620
Nine months ended 31 December 2017	
Opening and closing net carrying amount	105,620
At 31 December 2017	
Cost and net carrying amount	105,620

Goodwill arising during the period was resulted from acquisition of businesses from Wah Shi Enterprises Limited ("**Wah Shi Enterprises**") on 13 January 2017 (Note 22). Goodwill arising from the business combination has been allocated to a cash generating unit, Beijing Shihua Caves Niaoyulin Project operated by Beijing Fanxing Travel Co. Ltd., a subsidiary of the Target Group.

Goodwill are not subject to amortisation, but are tested annually for impairment at year end, or more frequently if events or changes in circumstances indicate that they might be impaired.

During the period ended 31 March 2017, management of the Target Group determined that the goodwill had not impaired. The basis of the recoverable amount of Beijing Shihua Caves Niaoyulin Project and the major underlying assumptions are summarised below:

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Target Group covering a 5-year period, and at a pre-tax discount rate of 14.68% as at 31 March 2017. The cash flows beyond the 5-year period are extrapolated using a constant growth rate of 3% per annum.

During the nine months ended 31 December 2017, management of the Target Group has taken into consideration the budget and latest development of the Target Group and determined that there was no events or changes in circumstances that indicate that goodwill might be impaired.

8 Right to a land lease

The Target Group's right to a land lease is analysed as follows:

	Right to a land lease *RMB'000*
At 9 June 2016	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
Period from 9 June 2016 to 31 March 2017	
Opening net carrying amount	–
Acquisition of a subsidiary *(Note 22)*	199,120
Amortisation *(Note 17)*	(809)
Closing net carrying amount	198,311
At 31 March 2017	
Cost	199,120
Accumulated amortisation	(809)
Net carrying amount	198,311
Nine months ended 31 December 2017	
Opening net carrying amount	198,311
Amortisation *(Note 17)*	(3,643)
Closing net carrying amount	194,668
At 31 December 2017	
Cost	199,120
Accumulated amortisation	(4,452)
Net carrying amount	194,668

As at 31 March 2017 and 31 December 2017, the Target Group's right to a land lease represents its right to an operating lease with favourable terms relative to market terms of a parcel of uncultivated hills and land located in Fangshan District of Beijing, the PRC.

9 Available-for-sale financial asset

	RMB'000
At 1 April 2017	–
Acquisition of an investment classified as available-for-sale financial asset	1,200
At 31 December 2017	1,200

Note:

On 22 May 2017, the Target Group entered into an investment agreement with a television programme producer in China, pursuant to which the Group has agreed to acquire 20% of the income right in a television program for a consideration of RMB6,000,000.

As at 31 December 2017, the production of the television program has not been completed and the remaining consideration of RMB4,800,000 has been disclosed as commitments (Note 20(b)).

The fair value estimation of the investment was based on the cash flows discounted using a rate based on the market interest rate and risk premium specific to the investment. Significant unobservable inputs involved in the fair value measurement included the expected timing of settlement and discount rate, which are within level 3 of the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

10 Prepayment and other receivables

	As at 31 March 2017	**As at 31 December 2017**
	RMB'000	*RMB'000*
Current portion		
Prepaid rental expenses	88	115
Other receivables	–	2
	88	117

11 Cash and cash equivalents

	As at 31 March 2017 *RMB'000*	As at 31 December 2017 *RMB'000*
Cash at bank	1	5

As at 31 March 2017 and 31 December 2017, the Target Group's cash and cash equivalents are denominated in RMB.

Cash at bank earns interest at floating rates based on daily bank deposits rate. The carrying amounts of the cash at bank approximate their fair values.

12 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Authorised:					
Ordinary shares of USD1 each at 31 March 2017 and 31 December 2017 *(Note (a))*	1,000,000	1			
Issued:					
Ordinary shares at 9 June 2016	–	–	–	–	–
Issuance of ordinary shares *(Note (b))*	5	5	–	–	–
Issuance of ordinary shares *(Note (c))*	6	6	–	–	–
Issuance of ordinary shares *(Note (d))*	43,510	43,510	302	266,351	266,653
Ordinary shares at 31 March 2017 and 31 December 2017	43,521	43,521	302	266,351	266,653

Notes:

(a) The Target was incorporated in Samoa on 9 June 2016 with an authorised share capital of USD1,000,000 divided into 1,000,000 shares of USD1 each.

(b) The Target issued 5 ordinary shares at USD1 each on 30 August 2016 to 3 subscribers.

(c) The Target issued 6 ordinary shares at USD1 each on 29 December 2016 to 3 subscribers.

(d) On 13 January 2017, the Target issued 43,510 new ordinary shares to its existing shareholders proportionate to their respective shareholdings. The consideration has been satisfied by promissory notes issued by the shareholders on the same date for an aggregate principal amount of RMB300,000,000.

The management of the Target Group has determined the aggregate fair value of the promissory notes to be RMB266,653,000 at 13 January 2017 with assistance of an external valuer. The valuation was determined using discounted cash flow model which is within level 3 of the fair value hierarchy. Significant unobservable input involved in the fair value measurement included the discount rate of 12.51%.

(e) All issued shares of the Target rank *pari passu* in all aspects.

13 Subsidiaries

The following is a list of the principal subsidiaries at 31 March 2017 and 31 December 2017:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Principal activities	Issued or registered/paid up capital	Effective interest held as at 31 March 2017	Effective interest held as at 31 December 2017
Directly owned subsidiary:						
Wah Shi Enterprises Limited	Samoa, Limited liability company	13 August 2015	Investment holding	USD50,000	100%(1)(3)	100%(1)(3)
Indirectly owned subsidiaries:						
Fujian Huashi Electronic Technology Co., Ltd.	Fuzhou, the PRC, Limited liability company	11 March 2016	Investment holding	RMB10,000,000	100%(1)(2)(4)	100%(1)(2)(4)
Beijing Fanxing Travel Co. Ltd.	Beijing, the PRC, Limited liability company	19 August 2016	Design, construction and operation of a multi-purpose media, resort and eco-tourism project	RMB5,000,000	100%(1)(2)(5)	100%(1)(2)(5)

Note 1:

The subsidiaries are acquired on 13 January 2017 (Note 22).

Note 2:

Except for Fujian Huashi Electronic Technology Co., Ltd. and Beijing Fanxing Travel Co. Ltd. which adopted 31 December as their financial year end date because of the statutory requirement for PRC incorporated entities, all subsidiaries of the Target have adopted 31 March as their financial year end date.

Note 3:

No audited financial statements were issued for this company as there are no statutory requirements to issue statutory financial statements.

Note 4:

No audited financial statements were issued for the year ended 31 March 2017 as this company was established on 11 March 2016 and is inactive.

Note 5:

No audited financial statements were issued for the year ended 31 March 2017 as this company was established on 19 August 2016 and is inactive.

14 Deferred income tax liabilities

The analysis of deferred income tax liabilities is as follows:

	As at 31 March 2017	**As at 31 December 2017**
	RMB'000	*RMB'000*
Deferred income tax liabilities:		
– To be recovered after more than 12 months	52,150	51,166
– To be recovered within 12 months	1,311	1,311
	53,461	52,477

The gross movement on the deferred income tax liabilities during the period is as follows:

	Fair value gains
	RMB'000
At 9 June 2016	–
Acquisition of a subsidiary *(Note 22)*	53,680
Credited to profit or loss *(Note 19)*	(219)
At 31 March 2017	53,461
At 1 April 2017	53,461
Credited to profit or loss *(Note 19)*	(984)
At 31 December 2017	52,477

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred income tax assets of RMB5,000 and RMB70,000 in respect of losses amounting to RMB22,000 and RMB280,000 for the period from 9 June 2016 (date of incorporation) to 31 March 2017 and the nine months ended 31 December 2017 respectively that can be carried forward against future taxable income. Such tax losses have an expiry period of five years.

15 Accruals and other payables

	As at 31 March 2017	As at 31 December 2017
	RMB'000	*RMB'000*
Accrued wages	11	–
Other payables	–	7
	11	7

As at 31 March 2017 and 31 December 2017, the Target Group's accruals and other payables are denominated in RMB.

16 Amount due to a related party

	As at 31 March 2017	As at 31 December 2017
	RMB'000	*RMB'000*
Non-current		
Advance from a director of a subsidiary *(note (a))*	–	424
Unsecured loan from a director of a subsidiary *(note (b))*	–	1,200
	–	1,624
Current		
Advance from a director of a subsidiary *(note (c))*	107	–

Notes:

(a) The balance is unsecured, interest-free and is denominated in RMB. The balance is repayable after 31 December 2018.

(b) The loan from a director of a subsidiary of the Target is unsecured, interest-free, repayable by June 2019 and is denominated in RMB.

(c) The balance is unsecured, interest-free, repayable on demand and is denominated in RMB.

17 Administrative expenses

Loss before income tax is stated after charging the following:

	Period from 9 June 2016 to 31 March 2017 *RMB'000*	**Period from 9 June 2016 to 31 December 2016** *RMB'000* (unaudited)	**Nine months ended 31 December 2017** *RMB'000*
Depreciation *(Note 6)*	65	–	293
Amortisation *(Note 8)*	809	–	3,643
Operating lease charges	18	–	79
Employee benefit expenses *(Note 18)*	4	–	113
Other operating expenses	–	–	88
	896	–	4,216

18 Employee benefit expenses (including directors' emoluments)

	Period from 9 June 2016 to 31 March 2017 *RMB'000*	**Period from 9 June 2016 to 31 December 2016** *RMB'000* (unaudited)	**Nine months ended 31 December 2017** *RMB'000*
Salaries and other allowances	4	–	113

19 Income tax credit

	Period from 9 June 2016 to 31 March 2017	Period from 9 June 2016 to 31 December 2016	Nine months ended 31 December 2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Current income tax	–	–	–
Deferred income tax	219	–	984
Income tax credit	219	–	984

The Target Group has no assessable income arising in or derived from Hong Kong nor Samoa during the Track Record Period.

The taxation on the Target Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated entities in the respective jurisdictions as follows:

	Period from 9 June 2016 to 31 March 2017	Period from 9 June 2016 to 31 December 2016	Nine months ended 31 December 2017
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Loss before income tax	(896)	–	(4,216)
Tax calculated at domestic rates applicable to results of the entities in the respective jurisdictions	(224)	–	(1,054)
Tax effects of:			
– Tax losses for which no deferred income tax asset was recognised	5	–	70
	(219)	–	(984)

The weighted average applicable tax rate was 25%.

20 Commitments

(a) Non-cancellable operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March 2017 *RMB'000*	As at 31 December 2017 *RMB'000*
Not later than 1 year	106	106
Later than 1 year and not later than 5 years	424	424
Later than 5 years	4,269	4,163
	4,799	4,693

The Target Group leases a parcel of uncultivated hills and land located in Fangshan District of Beijing, the PRC under non-cancellable operating lease agreement. The lease term is 41 years and are renewable at the end of the lease period.

(b) Capital commitments

Capital expenditure contracted for at the end of the period but not recognised as liabilities is as follows:

	As at 31 March 2017 *RMB'000*	As at 31 December 2017 *RMB'000*
Acquisition of an investment classified as available-for-sale financial asset	–	4,800

21 Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the Target Group has no significant transactions with related parties during the Track Record Period.

22 Business combination

On 10 September 2016, the Target entered into a sale and purchase agreement with the shareholders of Wah Shi Enterprises to acquire 100% of Wah Shi Enterprises' issued share capital at a consideration of RMB300,000,000. Wah Shi Enterprises and its subsidiaries (the "**Wah Shi Enterprises Group**") are principally engaged in design, construction and operation of a multi-purpose media, resort and eco-tourism project known as Beijing Shihua Caves Niaoyulin which is located in Fangshan District in Beijing, PRC.

The acquisition was completed on 13 January 2017 and the Target obtained control on Wah Shi Enterprises Group on the same date. Goodwill of approximately RMB105,620,000 arose from the acquisition as the purchase consideration included amounts in relation to the benefit of management expertise of Wah Shi Enterprises, two signed cooperative agreements and seven cooperative agreements that are in negotiation process, which cannot be recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid and the fair value of the assets acquired and liabilities assumed recognised at the acquisition date:

	RMB'000
At 13 January 2017	
Consideration:	
– Fair value of the promissory notes *(Note 12)*	266,653
Recognised amounts of identifiable assets acquired and liabilities assumed:	
– Property, plant and equipment *(Note 6)*	15,600
– Right to a land lease *(Note 8)*	199,120
– Cash and cash equivalents	1
– Prepayments	106
– Accruals and other payables	(7)
– Amount due to a related party	(107)
– Deferred income tax liabilities *(Note 14)*	(53,680)
Total identifiable net assets	161,033
Goodwill *(Note 7)*	105,620
Net inflow of cash and cash equivalents included in cash flows from investing activity	1

The entire consideration for the acquisition has been satisfied by promissory notes with principal amount of RMB300,000,000 issued by shareholders of the Target (Note 12). The promissory notes have a maturity of 1 year from the date of issuance, and is interest-free and freely transferrable. The fair value of the promissory notes amounted to approximately RMB266,653,000 on 13 January 2017 and was estimated by discounted cash flow model. The fair value estimates are based on discounted rate of 12.51% with reference to yield-to-maturity of similar bonds in the market which is a level 3 fair value measurement in the fair value hierarchy.

For the acquired businesses, management engaged an independent valuer in assisting the valuation of the identifiable assets and liabilities as at the acquisition date.

No revenue has been contributed to the consolidated statement of comprehensive income by Wah Shi Enterprises Group since 13 January 2017 up to 31 March 2017 and during the nine months ended 31 December 2017, respectively. Wah Shi Enterprises Group contributed loss of RMB22,000 and RMB280,000 over the period from 9 June 2016 (date of incorporation) to 31 March 2017 and during the nine months ended 31 December 2017, respectively.

Had Wah Shi Enterprises Group been consolidated from 9 June 2016, the consolidated statement of comprehensive income for the period from 9 June 2016 (date of incorporation) to 31 March 2017 would show pro-forma loss of RMB684,000.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target or any of its subsidiaries in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Target in respect of any period subsequent to 31 December 2017.

*Set out below is the management discussion and analysis of the Target Group for the period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 and for the nine months ended 31 December 2017 (the "**Relevant Periods**") based on the financial information of the Target Group as set out in Appendix II to this circular.*

BUSINESS REVIEW AND FINANCIAL REVIEW OF OPERATIONS

Revenue

The Target Group did not have any business activity for the Relevant Periods and accordingly, it did not record any revenue.

Administrative expenses

The administrative expenses of the Target Group for the period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 and for the nine months ended 31 December 2017 were approximately RMB896,000 and RMB4,216,000, respectively. The administrative expenses were mainly attributable to the amortisation expense of the right to a land lease.

Net loss

The Target Group recorded net loss of approximately RMB677,000 for the period from 9 June 2016 (date of incorporation of the Target Company) to 31 March 2017 and approximately RMB3,232,000 for the nine months ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Director's loan was the main source of funding of the Target Group. As at 31 March 2017 and 31 December 2017, the director's loan amounted to approximately RMB107,000 and RMB1,624,000, respectively.

As at 31 March 2017 and 31 December 2017, the total assets of the Target Group amounted to approximately RMB319.6 million and RMB316.9 million, respectively.

As at 31 March 2017 and 31 December 2017, the net assets of the Target Group amounted to approximately RMB266.0 million and RMB262.7 million, respectively.

CAPITAL STRUCTURE

The Target Company was incorporated in Samoa on 9 June 2016 with an authorised share capital of USD1,000,000 divided into 1,000,000 shares of USD1 each. As at 31 March 2017 and 31 December 2017, the issued share capital of the Target Company was USD43,521 comprising 43,521 issued and fully paid ordinary shares of USD1.00 each.

The Target Group did not have any formal treasury policy and did not enter into any form of financial arrangement for the Relevant Periods. As at 31 March 2017, the Target Group did not have any borrowings. As at 31 December 2017, the Target Group had borrowings of RMB1.2 million, which was an unsecured loan from a director of a subsidiary of the Target Company.

GEARING RATIO

The gearing ratio of Target Group (calculated by total liabilities divided by total assets) was approximately 16.8% as at 31 March 2017 and 17.1% as at 31 December 2017, respectively.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 31 March 2017 and 31 December 2017, the Target Group did not have any contingent liability and capital commitment.

PLEDGE OF ASSETS

As at 31 March 2017 and 31 December 2017, the Target Group did not have any pledge of assets.

FOREIGN EXCHANGE EXPOSURE

As the principal assets and liabilities of the Target Group were denominated in its functional currency of RMB, foreign exchange exposure risk is remote.

MATERIAL INVESTMENTS, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

The Target Company completed the acquisition of Wah Shi Enterprises on 13 January 2017. Save as the above, the Target Group did not hold any significant investments and did not have any material acquisitions and disposals of subsidiaries and associated companies for the Relevant Periods.

EMPLOYEE AND REMUNERATION POLICES

For the Relevant Periods, the Target Group had entered into an employment contract with each of its 8 fulltime employees.

PROSPECT

The Target Group plans to develop the Project in the Land. Please refer to the paragraph headed "*DEVELOPMENT PLAN OF THE LAND*" in the Letter from the Board of this circular.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In respect of the Project, the estimated capital expenditure for the first-stage development of the Land in 2018 is approximately RMB35.0 million. The business and construction plan, opening timetable and budget will be subject to the Group's further review if the Acquisition proceeds to Completion. However, assuming that the first-stage development budget remains unchanged, the Group intends to finance such construction and development costs through internal resources, external borrowings and/or equity fund-raisings.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities, the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated statement of comprehensive income, the unaudited pro forma consolidated statement of cash flows, the unaudited pro forma statements of adjusted consolidated net tangible assets and related notes of ShiFang Holding Limited (the "Company") and its subsidiaries (collectively the "Group"), Supreme Glory Limited (the "Target Company") and its subsidiaries (collectively the "Target Group"), and the operation right in Yongtai County (the "Operation Right") (collectively the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared based on the consolidated balance sheet, consolidated statement of comprehensive income, and consolidated statement of cash flows of the Group as set out in the interim report of the Company for the six months ended 30 June 2017 and the annual report of the Company for the year ended 31 December 2016 after making pro forma adjustments as set out below.

This Unaudited Pro Forma Financial Information has been prepared to illustrate the impact on the Group's financial position, financial performance, cash flows and net tangible assets, where relevant, regarding (I) the acquisition of the entire issued share capital of Target Company (the "Acquisition") and (II) the Acquisition and the acquisition of the Operation Right (the "Operation Right Acquisition") (collectively, the Aggregated Acquisition") as if the Acquisition had taken place at 30 June 2017 for the unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma statement of adjusted consolidated net tangible assets, and as if the Aggregated Acquisition had taken place at 30 Jun 2017 for the unaudited pro forma consolidated balance sheet and unaudited pro forma statement of adjusted consolidated net tangible assets and as if the Aggregated Acquisition had taken place on 1 January 2016 for the unaudited pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition and the Aggregated Acquisition been completed as at 30 June 2017 or 1 January 2016 or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AND THE TARGET GROUP FOLLOWING COMPLETION OF THE ACQUISITION

(a) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group and the Target Group

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Group
		Audited consolidated statement of assets and liabilities of the Target Group as at 31 December 2017				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2*	*Note 3*	*Note 4*	*Note 9*	
ASSETS						
Non-current assets						
Property, plant and equipment	17,206	15,242	358			32,806
Intangible assets	775					775
Right to a land lease	–	194,668	4,544			199,212
Goodwill	–	105,620	86,842	(105,620)		86,842
Available-for-sale financial asset	76,726	1,200				77,926
Prepayments, deposits and other receivables	56,873		(28,315)			28,558
	151,580					426,119
Current assets						
Inventories	1,123					1,123
Properties held for sale	35,909					35,909
Trade receivables – net	8,336					8,336
Prepayments, deposits and other receivables	11,928	117			(1,191)	10,854
Amounts due from related parties	870					870
Cash and cash equivalents	123,517	5	(57,045)			66,477
	181,683					123,569
TOTAL ASSETS	333,263					549,688
LIABILITIES						
Non-current liabilities						
Deferred income tax liabilities	180	52,477	1,225			53,882
Promissory note	–		73,884			73,884
Amount due to a related party	–	1,624				1,624
	180					129,390
Current liabilities						
Trade payables	4,536					4,536
Other payables and accrued expenses	30,842	7			2,842	33,691
Bank borrowings	10,235					10,235
Current income tax liabilities	19,305					19,305
Amounts due to related parties	430					430
	65,348					68,197
TOTAL LIABILITIES	65,528					197,587
NET ASSETS	267,735					352,101

(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AND THE TARGET GROUP FOLLOWING COMPLETION OF THE ACQUISITION

(b) Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group and the Target Group

	Issuance of 550,000,000 ordinary shares by the Company to acquire the Target Company as at 30 June 2017			
	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2017	Unaudited consolidated net tangible assets attributable to owners of the Company per ordinary share as at 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per ordinary shares as at 30 June 2017
	RMB'000	*RMB*	*RMB'000*	*RMB*
	Note 10	*Note 11*	*Note 12*	*Note 14*
Consolidated net tangible assets attributable to owners of the Company	261,167	0.1803	59,479	0.0298

(II) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOLLOWING COMPLETION OF THE AGGREGATED ACQUISITION

(a) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

			Pro forma adjustments					
	Unaudited consolidated balance sheet of the Group as at 30 June 2017	**Audited consolidated balance sheet of the Target Group as at 31 December 2017**						**Unaudited pro forma consolidated balance sheet of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (a)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 7*	*Note 9*	
ASSETS								
Non-current assets								
Property, plant and equipment	17,206	15,242	358					32,806
Intangible assets	775					28,000		28,775
Right to a land lease	–	194,668	4,544					199,212
Goodwill	–	105,620	86,842	(105,620)				86,842
Available-for-sale financial asset	76,726	1,200						77,926
Prepayments, deposits and other receivables	56,873		(28,315)			22,000		50,558
	151,580							476,119
Current assets								
Inventories	1,123							1,123
Properties held for sale	35,909							35,909
Trade receivables – net	8,336							8,336
Prepayments, deposits and other receivables	11,928	117					(1,191)	10,854
Amounts due from related parties	870							870
Cash and cash equivalents	123,517	5	(57,045)			(50,000)		16,477
	181,683							73,569
TOTAL ASSETS	333,263							549,688
LIABILITIES								
Non-current liabilities								
Deferred income tax liabilities	180	52,477	1,225					53,882
Promissory Note	–		73,884					73,884
Amount due to a related party	–	1,624						1,624
	180							129,390
Current liabilities								
Trade payables	4,536							4,536
Other payables and accrued expenses	30,842	7					2,842	33,691
Bank borrowings	10,235							10,235
Current income tax liabilities	19,305							19,305
Amounts due to related parties	430							430
	65,348							68,197
TOTAL LIABILITIES	65,528							197,587
NET ASSETS	267,735							352,101
EQUITY								
Equity attributable to owners of the Company								
Share capital	123,919	302	45,803		(302)			169,722
Share premium	816,907	266,351	42,596		(266,351)			859,503
Other reserves	47,738							47,738
Accumulated deficits	(726,622)	(3,909)			3,909		(4,033)	(730,655)
	261,942							346,308
Non-controlling interests	5,793							5,793
TOTAL EQUITY	267,735							352,101

(II) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOLLOWING COMPLETION OF THE AGGREGATED ACQUISITION

(b) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

		Pro forma adjustments				
	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2016	Audited consolidated statement of comprehensive income of the Target Group for the period from 9 June 2016 (date of incorporation) to 31 March 2017				Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 2*	*Note 6*	*Note 8*	*Note 9*	
Revenue	57,759					57,759
Cost of sales	(48,034)					(48,034)
Gross profit	9,725					9,725
Selling and marketing expenses	(7,953)					(7,953)
General and administrative expenses	(47,860)	(896)	(20)	(700)	(4,033)	(53,509)
Other gains – net	3					3
Other income	1,624					1,624
Operating loss	(44,461)					(50,110)
Finance income	160					160
Finance costs	(12,183)					(12,183)
Finance costs – net	(12,023)					(12,023)
Loss before income tax	(56,484)					(62,133)
Income tax credit	92	219				311
Loss for the period	(56,392)					(61,822)
(Loss)/profit attributable to:						
– Owners of the Company	(57,129)					(62,559)
– Non-controlling interests	737					737
	(56,392)					(61,822)
Other comprehensive loss						
Items that may be reclassified to profit or loss						
Fair value loss on an available-for-sale financial asset	(7,063)					(7,063)
Currency translation differences	(695)					(695)
Other comprehensive loss for the period	(7,758)					(7,758)
Total comprehensive loss for the period	(64,150)					(69,580)
(Loss)/profit and total comprehensive (loss)/income attributable to:						
– Owners of the Company	(64,887)					(70,317)
– Non-controlling interests	737					737
	(64,150)					(69,580)

(II) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOLLOWING COMPLETION OF THE AGGREGATED ACQUISITION

(c) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2016	Pro forma adjustments: Audited consolidated statement of cash flows of the Target Group for the period from 9 June 2016 (date of incorporation) to 31 March 2017	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 2*	*Note 3*	*Note 7*	*Note 9*	
Cash flows from operating activities						
Cash used in operations	(46,766)				(4,033)	(50,799)
Interest received	160					160
Interest paid	(711)					(711)
Income tax paid	(1)					(1)
Net cash used in operating activities	(47,318)					(51,351)
Cash flows from investing activities						
Additions of property, plant and equipment	(6,522)					(6,522)
Additions of intangible assets	(15)			(28,000)		(28,015)
Proceeds from disposal of property, plant and equipment	938					938
Deposit paid for Yongtai Project	–			(22,000)		(22,000)
Acquisition of a subsidiary, net of cash acquired	–	1	(85,360)			(85,359)
Acquisition of an investment classified as available-for-sale financial asset	(111,021)					(111,021)
Receipt from an investment classified as available-for-sale financial asset	10,000					10,000
Net cash used in investing activities	(106,620)					(241,979)
Cash flows from financing activities						
Repayment of bank borrowings	(2,237)					(2,237)
Net proceeds from issuance of ordinary shares	218,351					218,351
Net cash generated from financing activities	216,114					216,114
Net increase/(decrease) in cash and cash equivalents	62,176					(77,216)
Cash and cash equivalents at beginning of the year/period	109,492					109,492
Exchange loss on cash and cash equivalents	11,165					11,165
Cash and cash equivalents at end of the year/period	182,833					43,441

(II) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE AGGREGATED ACQUISITION

(d) Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Enlarged Group

	Issuance of 550,000,000 ordinary shares by the Company to acquire the Target Company as at 30 June 2017			
	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2017	**Unaudited consolidated net tangible assets attributable to owners of the Company per ordinary share as at 30 June 2017**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per ordinary shares as at 30 June 2017**
	RMB'000	*RMB*	*RMB'000*	*RMB*
	Note 10	*Note 11*	*Note 13*	*Note 14*
Consolidated net tangible assets attributable to owners of the Company	261,167	0.1803	31,479	0.0158

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. (a) The balances were extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2017 as set out in the published interim report of the Company for the six months ended 30 June 2017.

   (b) The amounts were extracted from the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016 as set out in the published annual report of the Company for the year ended 31 December 2016.

2. The balances and amounts were extracted from the financial information of the Target Group as set out in Appendix II to this circular.

3. Pursuant to a conditional acquisition agreement dated 8 May 2017 between the Group and the sellers of the Target Company, the Group intended to acquire the entire issued share capital of the Target Group for a total consideration of HK$340,000,000 (equivalent to approximately RMB283,145,000) to be satisfied by the followings:

   (i) Cash consideration of HK$102,500,000 (equivalent to approximately RMB85,360,000) including HK$34,000,000 (equivalent to approximately RMB28,315,000) refundable deposit that the Group has paid in May 2017 and HK$68,500,000 (equivalent to approximately RMB57,045,000) payable upon completion of the Acquisition;

   (ii) Promissory Note in principal amount of HK$100,000,000 (equivalent to approximately RMB83,278,000) issued by the Company, which carries interest at 5.5% per annum and repayable on the third anniversary of the date of issue;

   (iii) 550,000,000 ordinary shares of the Company.

   Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the identifiable assets and liabilities of the Target Group will be accounted for by the Group at their fair values in accordance with International Financial Reporting Standard 3 "Business Combinations" ("**IFRS 3**").

   For the purpose of the unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Group and the unaudited pro forma consolidated balance sheet of the Enlarged Group, the provisional purchase price allocation arising from the Acquisition of the Target Group is calculated as follows:

	HKD'000	*RMB'000*
Consideration transferred:		
Refundable deposit	34,000	28,315
Remaining cash consideration	68,500	57,045
Promissory Note	88,720	73,884
Consideration shares *(Note (d))*	106,150	88,399
Fair value of consideration as at 30 June 2017 *(Note (a) and (b))*	297,370	247,643
Less: fair value of the identifiable net assets of the Target Group *(Note (a) and (b))*		
Net assets of the Target Group as at 31 December 2017		262,744
Less: carrying amount of goodwill of the Target Group as at 31 December 2017 *(Note 4)*		(105,620)
Identifiable net assets of the Target Group as at 31 December 2017		157,124
Fair value adjustments on the identifiable nets assets of the Target Group *(Note (a))*		4,902
Effect on deferred income tax liabilities arising from temporary difference on the identifiable net assets of the Target Group		(1,225)
		160,801
Goodwill arising from the Acquisition *(Note (c))*		86,842

(a) The identifiable net assets of the Target Group as at 31 December 2017 was RMB157,124,000. For the purpose of the Unaudited Pro Forma Financial Information, the directors have estimated the fair value of promissory note and identifiable net assets of the Target Group as at 30 June 2017, based on a separate valuation report dated 27 March 2018 prepared by the independent valuer. For the consideration shares, the directors have assumed that the fair value of the consideration shares is HK$106,150,000 (equivalent to approximately RMB88,399,000) using the closing quoted market price of the shares of HK$0.193 as at 30 June 2017.

(b) The directors of the Company have estimated the fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2017, and have applied it as the fair value of the identifiable assets and liabilities of the Target Group in the Acquisition in preparing the Unaudited Pro Forma Financial Information. Since the fair value of the consideration transferred and identifiable net assets of the Target Group at the completion date of the Acquisition may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the consideration transferred, identified net assets and goodwill to be recognised in connection with the Acquisition may be different from the amounts presented above.

(c) For the purpose of the Unaudited Pro Forma Financial Information, the directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Acquisition with reference to International Accounting Standard 36 "Impairment of Assets".

The directors have taken into consideration the estimated budget and financial performance of the Target Group and synergy after the Acquisition as the key parameters and business assumptions in the impairment assessment. Based on the assessment results, the directors concluded that there is no impairment in the value of goodwill.

(d) Had the 550,000,000 ordinary shares of the Company been issued, share capital and share premium of the Enlarged Group will be increased by approximately RMB45,803,000, representing the par value of the Consideration Shares, and RMB42,596,000 representing the closing quoted market price of the Consideration Shares over the par value of these shares, respectively.

4. The pro forma adjustment represents the reversal of goodwill arising from the acquisition of a subsidiary by the Target Company, which has been taken into consideration in the provisional purchase price allocation in Note 3 above.

5. The pro forma adjustment represents the elimination of the Target Group's share capital, share premium and pre-acquisition accumulated deficits for consolidation purpose.

6. The pro forma adjustment represents the additional depreciation and amortisation as a results of the fair value adjustment on the Target Group's property, plant and equipment and right to a land lease. Depreciation of the property, plant and equipment and amortisation of right to a land lease are estimated based on the useful life of 40 years and 41 years respectively on a straight-line basis. This pro forma adjustment is expected to have a continuing effect on the Enlarged Group's consolidated statement of comprehensive income.

7. Pursuant to the framework agreement entered with Yongtai Government dated 15 September 2017, Yongtai Government has agreed to form a long-term strategic cooperation with the Group regarding the development and operation of the Yongtai Project and the Group has paid RMB50,000,000 deposit to Yongtai Government in September 2017. On 20 December 2017, the Group has acquired the operation right under the Operation Right Agreement for a consideration of RMB28,000,000 and such consideration was deducted from the deposit paid to Yongtai Government.

8. For the purpose of the unaudited pro forma consolidated statement of comprehensive income, the Operation Right Acquisition is assumed to be completed as at 1 January 2016. Amortisation of the operation right is estimated based on the useful life of 40 years on a straight-line basis. This pro forma adjustment is expected to have a continuing effect on the Enlarged Group's consolidated statement of comprehensive income.

9. The pro forma adjustment represents the estimated transaction costs of approximately RMB4,033,000. Transaction costs of RMB1,191,000 has been prepaid by the Company as at 30 June 2017 and the prepayment is assumed to be utilised at the completion date. For the purpose of the unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Group and unaudited pro forma consolidated balance sheet of the Enlarged Group, the remaining amount of approximately RMB2,842,000 is payable by the Company in connection with the Acquisition at the completion date.

   For the purpose of unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, the estimated transaction costs of approximately RMB4,033,000 is assumed to be paid by the Company in connection with the Acquisition at the completion date. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income or unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

10. The amount of unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 is based on the unaudited consolidated net assets attributable to the owners of the Company as at 30 June 2017 of RMB261,942,000 as extracted from the unaudited condensed consolidated financial statements of the Group for the period ended 30 June 2017 (after the deduction of the proportionate share of non-controlling interest of RMB5,793,000), with an adjustment for intangible assets as at 30 June 2017 of RMB775,000.

11. The number of shares used for the calculation of the unaudited consolidated net tangible assets attributable to owners of the Company per ordinary share comprises 1,448,330,121 shares in issue as at 30 June 2017.

12. The amount of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 is calculated based on the unaudited pro forma consolidated net assets attributable to the owners of the Company as at 30 June 2017 of RMB346,308,000 as extracted from the unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Group (after the deduction of the proportionate share of the non-controlling interest of RMB5,793,000), with an adjustment for the intangible assets, right to a land lease and goodwill as at 30 June 2017 of RMB775,000, RMB199,212,000 and RMB86,842,000, respectively.

13. The amount of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 is calculated based on the unaudited pro forma consolidated net assets attributable to the owners of the Company as at 30 June 2017 of RMB346,308,000 as extracted from the unaudited pro forma consolidated balance sheet of the Enlarged Group, with an adjustment for the intangible assets, right to a land lease and goodwill as at 30 June 2017 of RMB28,775,000, RMB199,212,000 and RMB86,842,000, respectively.

14. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per ordinary shares comprises 1,448,330,121 ordinary shares in issue as at 30 June 2017 as explained in note 2 above, and the 550,000,000 shares to be issued upon completion of the Acquisition as explained in Note 3(iii) above.

15. For the purpose of the Unaudited Pro Forma Financial Information, the consideration and balances arising from the Aggregated Acquisition stated in Hong Kong dollars have been converted to Renminbi at the exchange rate of RMB1: HK$1.2008.

16. Apart from the Aggregated Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2017, 31 December 2017, 31 December 2016 and 31 March 2017, respectively. In particular, the Unaudited Pro Forma Financial Information has not taken into account the issuance of 289,666,000 ordinary shares on 25 January 2018.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of ShiFang Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ShiFang Holding Limited (the "Company") and its subsidiaries (collectively the "Group"), Supreme Glory Limited (the "Target Company") and its subsidiaries (collectively the "Target Group"), and the operation right in Yongtai County (the "Operation Right") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Group and the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2017, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2016, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2016, the unaudited pro forma statements of adjusted consolidated net tangible assets of the Group and the Target Group; and the Enlarged Group as at 30 June 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-10 of the Company's circular dated 27 Mach 2018, in connection with (I) the acquisition of the entire issued share capital of the Target Company (the "Acquisition") and (II) the Acquisition and the acquisition of the Operation Right (collectively, the "Aggregated Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-10.

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The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition and the Aggregated Acquisition on the Group's financial position as at 30 June 2017 as if the Acquisition and Aggregated Acquisition had taken place at 30 June 2017; and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the Aggregated Acquisition had taken place at 1 January 2016, respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated interim financial information for the six months ended 30 June 2017, on which no review report has been published, while the Group's consolidated financial performance and cash flows have been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2016, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant's 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors 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 a 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 Acquisition as at 30 June 2017 and the Aggregated Acquisition at 30 June 2017 or 1 January 2016 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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2018

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent valuer, in connection with its valuation as at 31 March 2017 of the fair market value of entire issued share capital in the Target Company.

Graval Consulting Limited
Suite 1702, 17/F, Chinachem Tower,
No. 34-37 Connaught Road Central,
Hong Kong

27 March 2018

The Board of Directors
ShiFang Holding Limited
Suite 4701, 47th Floor
Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest of Supreme Glory Limited

In accordance with your instructions, we have conducted a valuation of the fair market value of the 100% equity interest of Supreme Glory Limited ("**Business Enterprise**" and together with its subsidiaries, "**Group**"), a Samoa incorporated company through its subsidiaries principally engaged in the development and operation of a nature scenery and media based eco-cultural tourism project ("**Project**") covering a measurable usable area of approximately 4,022 Chinese mu (equivalent to approximately 2,681,347 m^2) located in Fangshan District, Beijing, Hebei Province, the People's Republic of China ("**PRC**" or "**China**"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market value of the Business Enterprise as at 31 March 2017 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is being prepared solely for the directors and management of ShiFang Holding Limited ("**Company**") for internal reference and incorporation into a circular in connection with the proposed acquisition ("**Proposed Acquisition**") of the Business Enterprise by the Company.

Graval Consulting Limited ("**Graval**") acknowledges that this report may be made available to the Company as one of the sources of information for the Proposed Acquisition. The Proposed Acquisition, if materialized, and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Graval is not involved in the negotiation and has no comment on the agreed consideration. Furthermore, Graval assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council and the RICS Valuation – Global Standards 2017 ("**RICS**") issued by the Royal Institution of Chartered Surveyors, where applicable.

Our valuation is based on the going concern premise and conducted on a fair market value basis. **Fair market value** is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

3. SOURCES OF INFORMATION

We relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the management of the Company, the Group and their representatives (collectively, "**Management**"). Other information is extracted from public sources such as government sources, HKEX news, Bloomberg and Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Business licences of the Group provided by the Management;

- Relevant contracts, agreements, supplementary agreements and letters of intent in relation to the Project (collectively, "**Agreements**"), including but not limited to as follows:

  i. 《荒山荒地租賃合同》 (unofficially translated as "**Uncultivated Land Lease Agreement**") dated 30 December 2008;

  ii. 《轉讓意向書》(unofficially translated as "**Letter of Intent of Transfer**") dated 16 May 2016;

  iii. 《轉讓協議》 (unofficially translated as "**Transfer Agreement**") dated 29 July 2016;

  iv. 《合同》(unofficially translated as "**Contract**") dated 10 September 2016;

  v. 《關於《荒山荒地租賃合同》主體變更的專項協議》 (unofficially translated as "**Agreement in relation to the Change of Contracting Party of Uncultivated Land Lease Agreement**") dated 5 December 2016;

  vi. 《石花洞鳥語林項目健康養生館合作正式協議》 (unofficially translated as "**Formal Agreement of Shihua Caves Niaoyulin Health Centre**") dated 7 August 2017;

  vii. 《石花洞鳥語林項目酒店租賃正式協議》 (unofficially translated as "**Formal Agreement for the Lease of Shihua Caves Niaoyulin Hotel**") dated 6 August 2017;

  viii. 《石花洞鳥語林項目學校實踐基地合作正式協議》 (unofficially translated as "**Formal Agreement of Shihua Caves Niaoyulin Training School**") dated 9 August 2017;

  ix. 《石花洞鳥語林項目體育主題園合作正式協議》 (unofficially translated as "**Formal Agreement of Shihua Caves Niaoyulin Sports Centre**") dated 4 August 2017;

x. Two 《石花洞鳥語林項目生態園合作正式協議》 (unofficially translated as "**Formal Agreement of Shihua Caves Niaoyulin Eco Park**") dated 5 August 2017 and 8 August 2017; and

xi. 《石花洞鳥語林項目鳥語林及熱帶雨林合作正式協議》(unofficially translated as "**Formal Agreement of Shihua Caves Niaoyulin and Tropical Rainforest**") dated 7 August 2017.

- Copy of legal opinion letters ("**Legal Opinions**") concerning the Project issued by Yingke Law Firm (Guangzhou Office);
- Relevant licenses, permits and approvals for the development and construction of the Project, including the construction planning permits and other relevant official letters or approvals issued by local authorities to the Group;
- Announcement(s) and/or circular(s) made by the Company in relation to the acquisition of the Business Enterprise; and
- Historical financial information such as income statements and balance sheets of the Group provided by the Management;

In the course of our valuation, we have conducted a company visit in April 2017, and had discussion with the Management on the industry and the development of the Business Enterprise. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. COMPANY PROFILE

4.1. ShiFang Holding Limited

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1831). The Company is an investment holding company. Its subsidiaries are principally engaged in the business of publishing and advertising in the PRC. The Company has been actively exploring cultural, media and related opportunities for its development.

4.2. Supreme Glory Limited

The Business Enterprise is a company incorporated in Samoa on 9 June 2016. The Business Enterprise acts as an investment holding company which indirectly owns the entire equity interest of 北京繁星旅遊有限公司 (unofficially translated as "**Beijing Fanxing Travel Co. Ltd.**" and hereinafter, "**Operating Subsidiary**") through its two holding subsidiaries, namely Wah Shi Enterprises Limited ("**1st Holding Subsidiary**") and 福建華實電子科技有限公司 (unofficially translated as "**Fujian Huashi Electronic Technology Co., Ltd.**" and hereinafter, "**2nd Holding Subsidiary**").

The 1st Holding Subsidiary was incorporated in Samoa on 13 August 2015 with limited liability whilst the 2nd Holding Subsidiary was incorporated in the PRC on 11 March 2016 with limited liability. As represented by the Management, except for holding the entire equity interests in the Operating Subsidiary, the 1st Holding Subsidiary and the 2nd Holding Subsidiary have no business activity and operation. The Operating Subsidiary was incorporated in the PRC with limited liability on 19 August 2016 with scope of business confined but not limited to local travel, immigration travel, sale of daily necessities, corporate management, market research, event organization, advertisement design and production etc. According to the Agreements, the Operating Subsidiary owns the economic interest in, and the existing constructions and facilities developed on the Project.

Based on the unaudited and consolidated financial result provided by the Management, during the period commencing on the date of incorporation on 6 June 2016 and ending on 31 March 2017, the Business Enterprise recorded no revenue and incurred a net loss of insignificant amount. The Business Enterprise had total assets of RMB320 million and the net assets approximated to RMB266 million.

5. SHAREHOLDING STRUCTURE

As of the Valuation Date, 100% of the equity interests in the Business Enterprise was directly owned by Zenith Sky Limited ("**Vendor A**"), Better Top Investment Group Limited ("**Vendor B**"), Pioneer Way Investment Holdings Limited ("**Vendor C**"), Joint Way Limited ("**Vendor D**"), Fullness Time Limited ("**Vendor E**") and Fortune Catcher Investments Limited ("**Vendor F**" and collectively, "**Vendors**"), which are the vendors of the Proposed Acquisition.

The shareholding and corporate structure of the Group before the Proposed Acquisition is set out below:

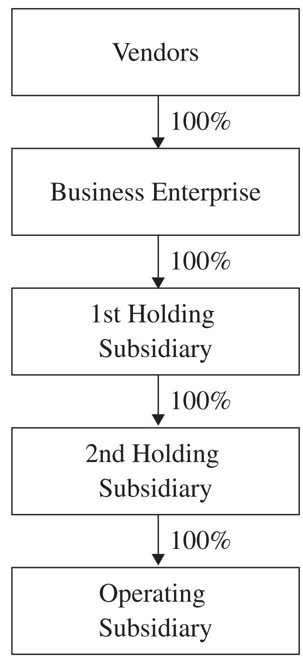

Figure 1: Shareholding structure before the Proposed Acquisition

Source: Management

Upon completion of the Proposed Acquisition, the Business Enterprise will become an indirect wholly owned subsidiary of the Company.

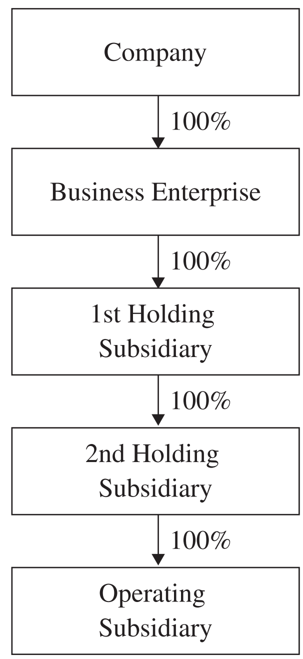

Figure 2: Shareholding structure after the Proposed Acquisition

Source: Management

6. BUSINESS OVERVIEW

6.1. Site Background

The Project is located at the southern part of 李各莊村 (unofficially translated as "**Li Ge Zhuang Village**"), Fangshan District, Beijing, Hebei Province, the PRC, which is approximately 40 km away from the city centre of Beijing. It has a measurable usable area of approximately 2,681,347 m^2 (equals to 4,022 Chinese mu) and is currently under a lease with uncultivated hills and land entitled to the Group for 50 years until 30 December 2058.

Fangshan District, one of the 16 administrative county-level subdivisions of the capital of the PRC, is situated in the southwestern part of Beijing. The new and long-term development of Xiongan New Area could be reached directly via a major road route passing through the Fangshan District. It covers an area of approximately 1.99 km^2 with estimated population of 1.10 million in 2016.

Fangshan District is the place of architecture, mineral resources, trees and fruits as well as tourism spots in the suburban area of Beijing. A number of famous natural, cultural and historical attractions can be found in the district, including Peking Man Site at Zhoukoudian, Yunju Temple, Beijing Shangfangshan National Forest Park and Stone Flower Cave etc. The estimated travel time from the city centre of Beijing to the Project site is approximately 1 to 1.25 hours. However, it is expected that the proposed transport infrastructure will shorten the travelling time and ease the accessibility to the Project.

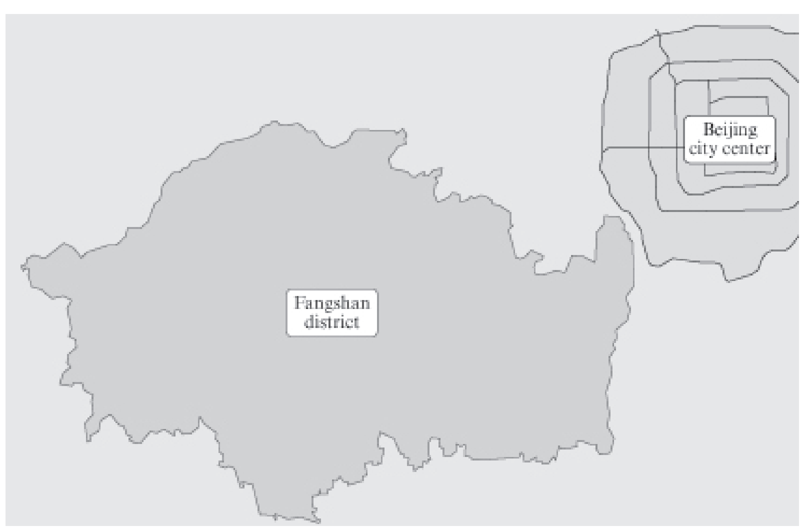

Figure 3: ***Location of Fangshan District***

Source: Google Map

6.2. Existing Status

The Project is under construction and is partially completed. It has completed some buildings and structures, including hotel, dormitories, temples, public toilets and sightseeing pavilions. Basic utilities and infrastructure works including roads, water supply, power supply, lightings, sewage and drainage were constructed but are subject to further development and improvement for full service in future.

The Project is located at the natural landscapes surrounded by native plants, dense groves and craggy mountains. There are two existing attractions in the Project, namely 鳥語林公園 (unofficially translated as and hereinafter, "**Niaoyulin Park**") and 觀音殿 (unofficially translated as and hereinafter, "**Guanyin Temple**"). The Niaoyulin Park provides the enjoyment of birdwatching to the visitors. Guanyin Temple is a cultural and religious heritage which was built over hundred years ago.

Figure 4: Niaoyulin Park

Source: Graval

Figure 5: Guanyin Temple

Source: Baidu

6.3. Proposed Development

According to the Management, drawing on the experience of a mixture of nature beauty and world class studios, the Project could be developed into a unique natural and cultural attraction site for media, resort and eco-cultural tourism. Upon completion, the major sources of income of the Project include admission ticket sales, rental income from studio facilities & equipment, accommodation income, spending on recreational activities or games of the attraction sites and food & beverage.

With its beautiful natural scenery and wide range of wildlife plant and animal species, the Project could offer fun, educational and leisure activities for family-gathering and visitors of all ages. As advised by the Management, the Group has entered into co-operative agreements with various business partners and will jointly develop facilities with different operation aspects of the Project, including media, eco-tourism, outdoor sports, art-performance training, cultural & extracurricular activities, healthcare, catering and accommodation, which are designed not only to give visitors an integrated experience of leisure, dinning and hotel accommodation, but also promote the protection of eco-environmnet and Chinese culture in a comprehensive theme park.

The eco-parks are designed to consist of aviary, ecological farms, tropical forests, zoological and botanical gardens which exhibit a large and diverse animal and plant collection, comprising various species of wildlife animal, birds, butterfly and insect. The aviary covered by an artificial net contains nearly two thousand of flying wildlife birds of approximately a hundred of species, including peacock, red-crowned crane, ostrich and egret etc. There will be also approximately a hundred of rare and valuable plant species such as taxus chinensis (officially translated in Chinese as "紅豆杉"), red cypress pine (officially translated in Chinese as "赤柏松") and ginkgo trees (officially translated in Chinese as "銀杏樹") etc. in the parks. The ecological farms could give family a special plantation experience, where they can also harvest their plants.

The healthcare facility is planned to be built into a high-end fitness, spa and wellness centre which has steaming rooms, massage lobby, healthcare rooms, yoga rooms, meditation rooms and guest rooms for the provision of medicated bath and steaming, traditional Chinese medicine and acupuncture treatment, nutrition consultation and sale of health products. The sport zone will offer leisure and sport outdoor activities including cycling, hiking, paragliding, trail walking and other adventure courses etc., supported by onsite professional coaching.

The Business Enterprise will be in partnership with a food & beverage company by leasing its exiting hotel and dormitory to provide catering and accommodation services. Furthermore, it is also the long-term plan of the Management to build a new hotel to serve visitors and shooting crews.

In view of the emergence of online films and online television series, the Management believes that the prospects of the film, television and cultural market will be promising. According to the research and studies conducted by the Management, Beijing is the national tertiary education centre of performing arts, films and media, where a several well-known institutes are found in the capital city, including but not limited to Beijing Film Academy (officially translated in Chinese as "北京電影學院"), China Central Academy of Fine Arts (officially translated in Chinese as "中央美術學院") and the Central Academy of Drama (officially translated in Chinese as "中央戲劇學院"). As such, there is a demand for media training centre and large outdoor film studios in the vicinity of Beijing and Hebei Province.

To the knowledge and experience of the Management, it is common for film and television producers in the PRC to shoot films in large studios and many such studios in the PRC have become popular tourist attractions, such as Hengdian World Studios (officially translated in Chinese as "橫店影視城"), CCTV Wuxi Movie and Television Base (officially translated in Chinese as "中央電視台無錫影視基地"), Shanghai Film Park (officially translated in Chinese as "上海影視樂園"), Xiang Shan Movie & television town (officially translated in Chinese as "象山影視城"), Shanghai Image Maker (officially translated in Chinese as "上海勝強影視基地"), which are the existing models for the proposed development of the Project referred by the Management.

As represented by the Management, the Project is designed to set up a total of 8 outdoor film shooting bases by making use of the existing nature scenery and landscape, of which each shooting base will be unique and will have their own theme and characteristics for different shooting purpose. These shooting bases will be leased to the movie and drama production companies. When the filming is completed, they can be the attractions and will be opened to the visitors.

Further represented by the Management, an indoor film studio with basic and comprehensive ancillary facilities will also be constructed for film shooting, comprising soundstages, set decorations, costume & prop warehouses and construction workshops etc. Shooting & production equipment will be available for lease including aerial cameras, 8K cameras, prop and costume etc. In addition, the Management aims to set up a post-production office and training school for performing arts which can improve the efficiency of shooting process.

7. CHINA ECONOMIC OVERVIEW

According to the research conducted by Hong Kong Trade Development Council ("**HKTDC**"), the Chinese economy grew by 9.3% in 2011 and slowed to 7.7% in both 2012 and 2013. In 2014 and 2015, GDP grew by 7.3% and 6.9% respectively. Per capita GDP reached RMB49,351 in 2015. In the four quarters of 2016, GDP grew by 6.7% in the first quarters and 6.8% in the last quarter, resulting in an average growth of 6.7% for 2016.

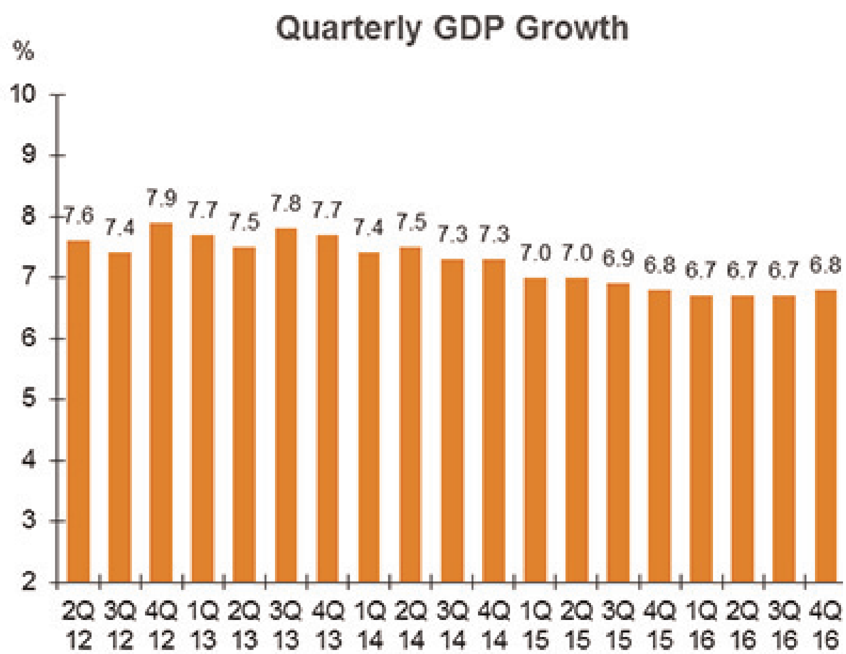

Figure 6: Quarterly GDP growth of China (2Q 2012 – 4Q 2016)

Source: HKTDC

In 2014, fixed assets investment grew by 15.7%. In 2015, it grew by 10.2%, down from 11.4% in the first six months. In January to December 2016, fixed assets investment grew by 8.1%.

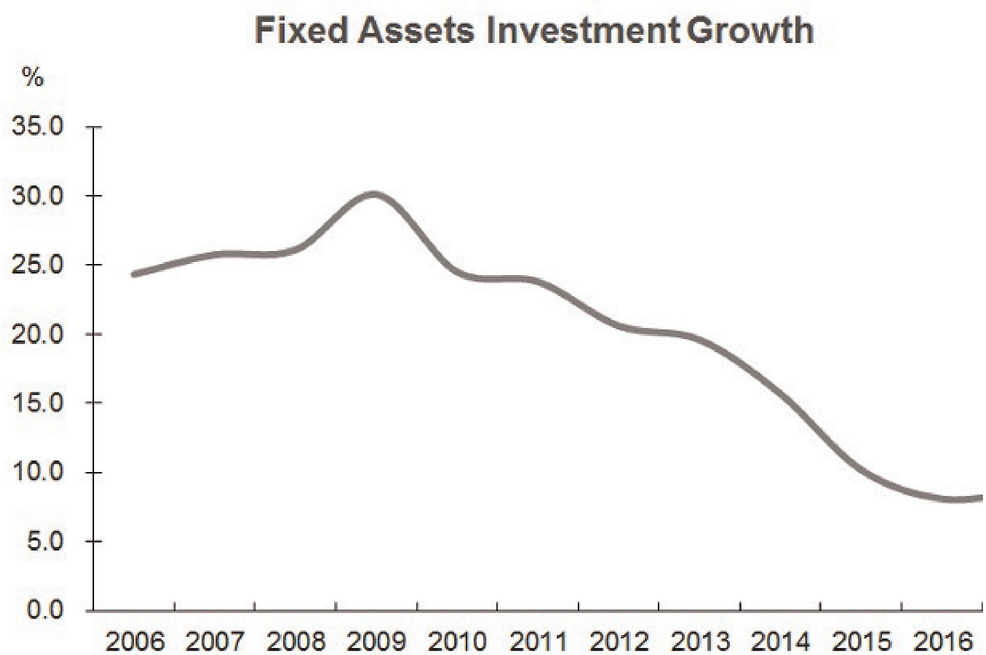

Figure 7: Fixed assets investment growth in China (2006 – 2016)

Source: HKTDC

In 2015, consumer price index ("**CPI**") went up by 1.4% with food prices up by 2.3% and non-food prices up by 1%. In December 2016, CPI went up by 2.1% with food prices up by 2.44% and non-food prices up by 2%.

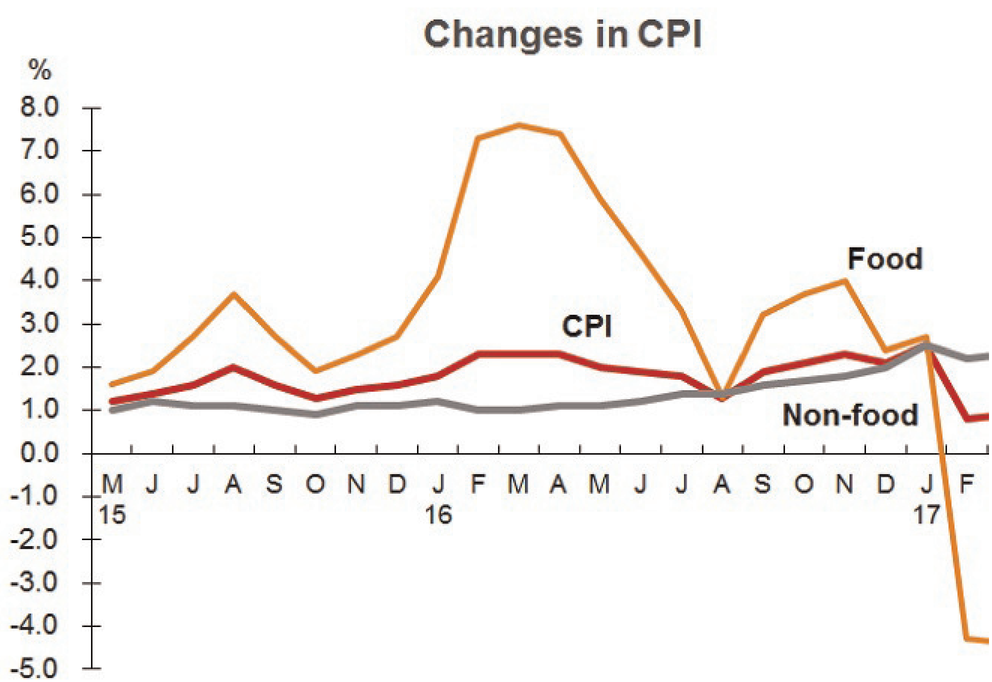

Figure 8: Changes in CPI in China (May 2015 – February 2017)

Source: HKTDC

China's Manufacturing Purchasing Manager's Index ("**PMI**") stood at 51.4 in December 2016 compared to 51.7 in November.

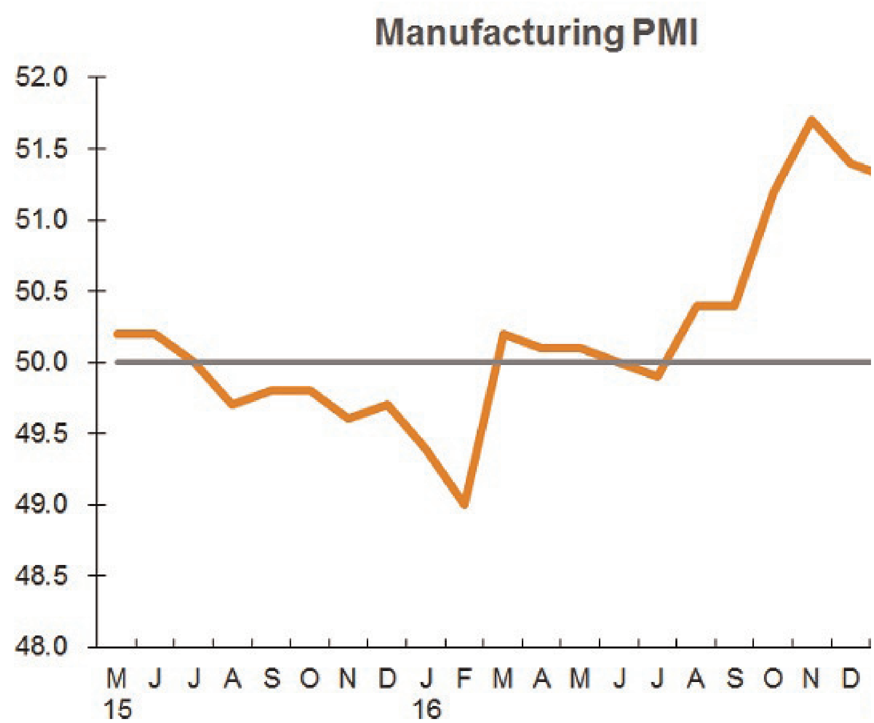

Figure 9: Manufacturing PMI in China (May 2015 – December 2016)

Source: HKTDC

8. CHINA INDUSTRY OVERVIEW

This section of the industry overview is based on the research reports conducted by PwC, World Travel & Tourism Council, Colliers International and International Association of Amusement Parks and Attractions, namely China Entertainment and Media Outlook 2016 – 2020, Travel & Tourism Economic Impact 2016 China, DNA of Theme Park Hotels and IAAPA Global Theme and Amusement Park Outlook 2015 – 2019 respectively.

8.1. Tourism Market

The direct contribution of travel & tourism to GDP in 2015 was RMB1,407.9 billion, representing 2.1% of GDP. This is forecast to rise by 6.1% to RMB1,494.2 billion in 2016. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the direct support from activities of the restaurant and leisure industries. The direct contribution of travel & tourism to GDP is expected to grow by 7.4% per annum to RMB3,064 billion by 2026, accounting for 2.6% of GDP.

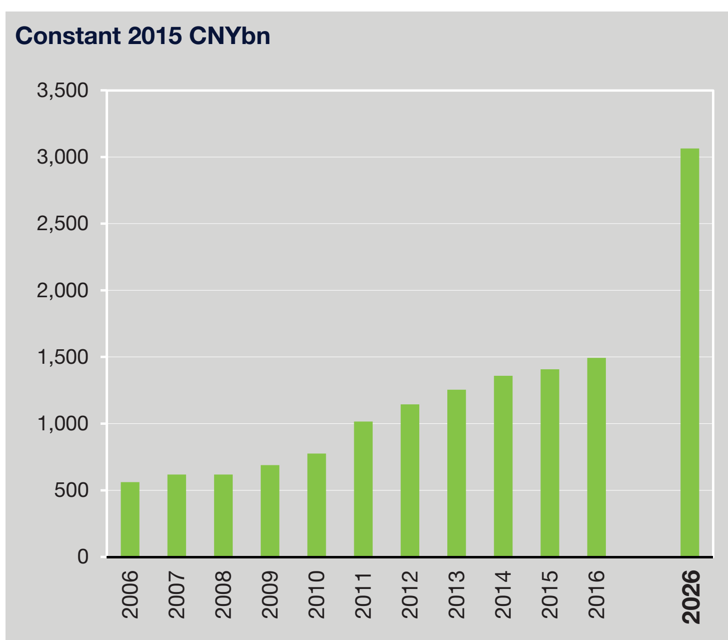

Figure 10: Direct contribution of travel & tourism of China

Source: Travel & Tourism Economic Impact 2016 China

8.2. Theme Park Market

Recently, several internationally renowned theme parks launched in China, such as Shanghai Disney Resort which was opened in 2016. Additionally, Universal Studios announced plans to build a theme park in Tongzhou, Beijing and Six Flags Inc. chose Jiaxing, Zhejiang as the site of its future theme park. Meanwhile, domestic theme park developers were not far behind. With the opening of Wanda theme park in Nanchang, Wanda Group revealed plans to build a further 15 theme parks by 2020. Shimao Group also plans to open eight outdoor and water theme parks in the next five years. Hence, enthusiasm for development of theme parks in China has returned well and truly.

It is expected that China would continue to be the fastest growing market with a projected 14.2% compound annual increase. That gain, however, will actually be less than the growth rates achieved in four of the past five years.

Asia-Pacific	2010	2011	2012	2013	2014	2009–2014 CAGR	2015	2016	2017	2018	2019	2014–2019 CAGR
Australia	-4.9	1.0	15.6	1.8	1.7	2.8	3.6	3.3	3.4	3.5	3.4	3.4
China	19.7	16.9	4.8	15.5	16.8	14.6	8.5	28.8	12.0	9.6	13.3	14.2
Hong Kong	11.4	22.8	11.5	9.2	10.3	12.9	12.0	11.6	9.1	6.3	5.1	8.8
India	19.9	15.5	11.5	15.0	8.2	13.9	9.0	9.8	11.2	9.8	9.4	9.9
Indonesia	-1.5	7.0	-3.6	7.9	8.0	3.4	8.7	8.9	7.4	7.4	7.3	7.9
Japan	5.3	2.6	11.2	12.7	8.3	8.0	4.8	6.4	8.1	6.9	5.8	6.4
Malaysia	9.1	8.3	5.8	6.4	7.7	7.4	11.1	15.7	6.8	5.8	7.1	9.2
Philippines	11.4	8.0	11.6	-4.7	7.9	6.6	8.3	7.6	7.1	6.6	6.2	7.2
Singapore	151.3	74.5	1.8	8.0	6.4	38.7	6.5	6.1	6.2	6.3	5.9	6.2
South Korea	15.3	5.4	8.0	12.2	3.6	8.8	7.6	17.2	10.6	7.3	3.9	9.2
Taiwan	2.8	5.4	2.6	7.5	4.7	4.6	6.7	4.2	8.0	5.6	5.3	5.9
Thailand	10.5	4.8	9.1	4.2	8.0	7.3	7.4	6.9	6.5	9.1	2.8	6.5
Vietnam	14.3	12.5	11.1	10.0	9.1	11.4	16.7	14.3	12.5	11.1	10.0	12.9
Rest of the Region	0.0	50.0	33.3	25.0	0.0	20.1	20.0	0.0	16.7	0.0	14.3	9.9
Total	9.4	8.2	9.1	12.1	9.7	9.7	6.6	13.0	9.3	7.6	7.8	8.8

Figure 11: Theme park spending growth by country (%)

Source: Wikofsky Gruen Associates

8.3. Hotel Market

The Chinese hotel market has continually evolved, as generally revenues remain low and competition continues to mount from new, mixed-use developments. Traveller profiles have also shifted dramatically in recent years, with a shift from business travellers and tour groups to more solo and family leisure travellers. This has presented challenges for some owners and operators – and opportunities for others. The rapidly enlarging middle class, and rising income levels that have shifted consumption from essentials to non-essentials, and products to experiences, will favour some hotels and locations over others.

In China, 42% of the major theme parks provide hotel facilities within the park, which is similar to international theme parks' development strategy. Studying individual hotels of major theme parks reveals that 81.2% of hotels within theme parks have less than 800 rooms, and 87.5% of hotel room prices are less than RMB1,500 per night. 43.8% of individual hotels have less than 500 rooms with pricing below RMB1,000 per night.

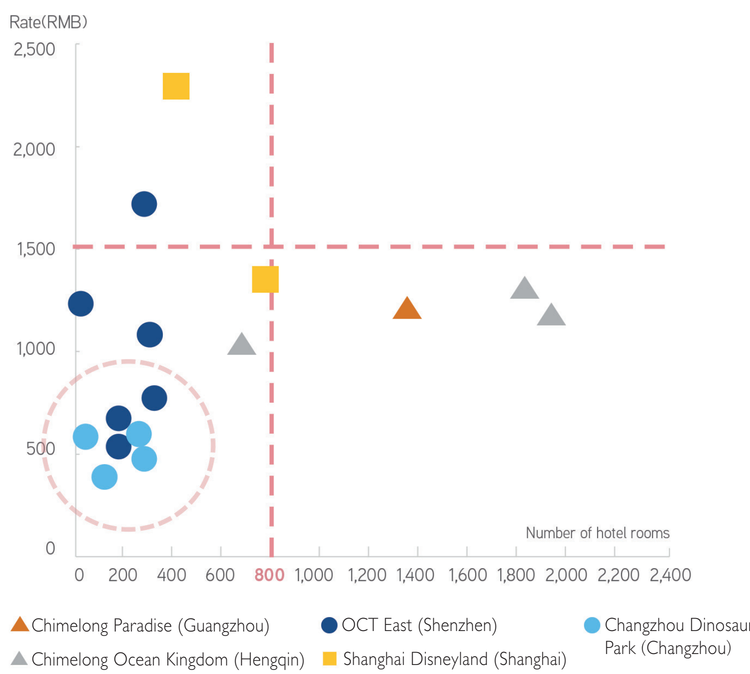

Figure 12: Number of hotel rooms and room rate of individual hotels of major theme parks in China

Source: Website of theme parks: Advisory Services, Colliers International, Shanghai

8.4. Cinema Market

Chinese cinema is currently in the midst of an extraordinary growth spurt that, if it continues at the current rate, will see its box office revenue exceeding that of the US by 2017.

Box office revenue in 2015 rose by a rate of 49.0% on a year-on-year basis to USD6.30 billion, from USD4.23 billion in 2014. The 2014 figure itself was a 36.1% rise in 2013. These astonishing figures mean that China is already the world's second largest film market and by 2020 it is anticipated that box office revenue will be set at USD15.08 billion, at a 19.1% CAGR over the forecast period.

Admissions will soar from 1.16 billion in 2015 to 2.50 billion in 2020, at a 16.6% CAGR. The average admission price will increase over the same period from USD5.44 in 2015 to USD6.04 in 2020.

2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
2,150	2,748	3,181	4,313	6,398	8,486	10,413	12,222	13,827	15,239

* *Figures above are subject to rounding*

Table 1: Total cinema income in China (USD millions) (2011 – 2020E)

Source: China Entertainment and Media Outlook 2016 – 2020

8.5. television and Video Market

China's total television and video revenue grew 18.6% in 2015 to USD17.55 billion and is forecast to reach USD26.84 billion in 2020, a CAGR of 8.9% over the forecast period.

China has the largest number of subscription television households in the world, with 254 million in 2015. This figure is forecast to rise to 299 million in 2020. Over 90% of China's subscription television households in 2015 came from cable, having the rest from IPTV.

Total electronic home video OTT/streaming revenue reached USD650 million in 2015. The regulator's policy against the development of OTT in China will inhibit the market to some degree, but it retains much potential.

2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
8,795	10,315	12,261	14,793	17,549	19,165	21,045	23,114	24,912	26,835

* *Figures above are subject to rounding*

Table 2: Total television and video income in China (USD millions) (2011 – 2020E)

Source: China Entertainment and Media Outlook 2016 – 2020

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the historical performance, operations and industry, and other relevant information of the Business Enterprise. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Group;
- Historical information of the Group;
- Financial condition of the Group;
- Proposed business development of the Group;
- Nature and terms of the relevant agreements, contracts, licenses, permits and rights;
- Regulations and rules of the relevant industries;
- Economic and industry data affecting the markets and other dependent industries;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the value of a business subject:

- Market Approach;
- Asset Approach; and
- Income Approach.

Under each approach, a number of methods are available for assessing the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. A more detailed discussion of each approach is presented in the *ADDENDUM I – VALUATION APPROACHES* of this report.

11. VALUATION ANALYSIS

11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of the business nature, the specialty of its operation, the assets owned and liabilities assumed and the industry it is participating. Having considered the three general valuation approaches, we believed that the Market Approach would be appropriate and reasonable in the valuation of the Business Enterprise.

In this valuation, the Income Approach is not adopted as the Group is still in the early stage of development and thus the historical financial and operational data and information of the Business Enterprise is not sufficient to form reliable basis of projections. The projections would otherwise involve a high level of uncertain, long-term forecast estimates and underlying assumptions. On a going concern basis, the Asset Approach is not appropriate as the cost of reproducing and replacing the assets ignores the future economic benefits of the business as a whole. We have therefore relied solely on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are certain publicly traded companies engaged in the same or similar line of business as the Business Enterprise that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of the Comparable Transaction Method is limited as there are insufficient direct comparable transactions to form a reliable opinion of value. Precedent transactions are rarely directly comparable as every acquisition target of the deals has its own set of unique circumstances and characteristics including but not limited to locations, timing and size of deal, which makes direct comparison difficult. Sometimes premiums or discounts or synergies have also been considered in the transactions which are not easily known to the public. Adjustments and control for the differences between the subject and comparable transactions might be needed but it would somehow involve judgmental and unobservable inputs or assumptions and thus might produce an unreliable result of limited usefulness. In this valuation, Comparable Transaction Method is therefore not recommended but only for additional reference as presented in *ADDENDUM II – PRECEDENT TRANSACTIONS REFERENCE.*

As the Project has not yet commenced its operations, the Business Enterprise has no current income and is not profit making. A number of enterprise value and equity price multiples based on the revenue, earnings and cash flows are inappropriate for this relative valuation. Therefore, the net assets or net worth have been served as a proxy for multiple valuation as the book value of the Business Enterprise is a positive cumulative amount and is more stable than other financial parameters. Price-to-book ratio also explains the long-run average stock return.

The Business Enterprise is characterized as an asset-heavy business which usually requires continuous capital investments. For capital intensive industry, the net assets is a reliable measure of the amount of capital invested and asset procured in expectation of future productivity. To the best of our knowledge and observation, though the Project is under construction, it is not just a greenfield site pending development but already contains and possesses fundamental and necessary elements, including but not limited to hotel, dormitories, temples, sightseeing pavilions, aviary and natural scenery etc., which could be developed into natural and cultural attractions for tourism upon further improvement and enhancement as proposed by the Management. Instead of using the net book value of the Business Enterprise, the adjusted net book value of the Business Enterprise has been applied as the appropriate measurement basis by removing purchased goodwill. The assets of the Business Enterprise mainly comprise right to a land lease and other physical structures which are considered to be the major income-producing assets of the Project upon completion of the development. In addition, based on the unaudited financial position, the value of these assets share a higher portion of the total assets of the Business Enterprise. So, adjusted price-to-book ratio ("**Adjusted P/B**") could be employed for assets based companies like the Business Enterprise for this valuation.

11.2. Comparable Search

In determining the search criteria, to find the most relevant and appropriate comparable samples, we have first considered a number of factors including but not limited to business operations, products, services, development stage & model and market location of the valuation subject. In view of the development status of the Project, we were not able to identify any comparable which is in similar development stage & model as the valuation subject to the best of our efforts. In the absence of relevant public data, to the best of our understandings, there is no reliable quantitative measurements or indicators of the development stage across industry comparable. Controlling for difference in development status would be subjective and judgmental which are based upon little more than guesswork. Such subjective adjustment would produce a biased and uncertain result which is subject to a concern of fairness and reasonableness and should be avoided for this valuation. Therefore, in order to obtain reasonably sufficient number of sample size for comparison purpose, we have expanded the search scope by adopting the following criteria for the selection of comparable sample.

- Listing location in Hong Kong or China;
- Principal business location in the Greater China Region; and
- Major revenue contribution from management, operations and provision of entertainment facilities, recreational facilities and services, including but not limited to attraction sites, scenic spots, theme parks, accommodations, cable cars and studios etc. in travel and tourism sectors.

To the best of our endeavours in comparable selection, the following shortlisted companies is an exhaustive list of sample based on the above preliminary searching criteria.

Sample name	**Bloomberg stock code**
China Travel International Investment Hong Kong Ltd.	308 HK
Haichang Ocean Park Holdings Ltd.	2255 HK
National Arts Entertainment and Culture Group Ltd.	8228 HK
Shenzhen Overseas Chinese Town Co. Ltd.	000069 CH
Emei Shan Tourism Company Limited	000888 CH
Songcheng Performance Development Co., Ltd.	300144 CH
Huangshan Tourism Development Co., Ltd.	600054 CH
Dalian Sunaisa Tourism Holdings Co., Ltd	600593 CH
Xi'an Quijiang Cultural Tourism Co. Ltd.	600706 CH
Tibet Tourism Co. Ltd.	600749 CH

Table 3: List of comparable samples

Source: Bloomberg

Upon our analysis and observations, the above shortlisted comparable samples are all engaged in the development, operation and management of attraction sites, scenic spots, recreational facilities and theme parks in China, in attempt to enjoy the growth of Chinese tourist boom. Although the above shortlisted comparable samples may vary from the development stage, operation scale and investment size, they are still considered to be fair and representative samples as they share similar fundamental characteristics, including business focus, market positions, regulatory environment and customer base. Given that there is no prefect match of comparable company with the exactly same financial performance, business operations and risk profile as the Business Enterprise, we are of the view that, on balance, the above preliminary shortlisted comparable samples are sufficient to provide meaningful and useful reference for multiple valuation. Details of the shortlisted comparable samples is presented in *ADDENDUM III – COMPARABLE SAMPLES DESCRIPTION* of this report.

11.3. Comparative Analysis

The shortlisted comparable samples in *section 11.2 Comparable Search* represents the preliminary search using broadened selection criteria based on fundamental characteristics comparable to the valuation subject. After the initial selection, comparative analysis of the financial characteristics should be undertaken to reach a final group of guideline companies. The comparative financial analysis is to check the initial selected comparable share relevant and similar quantitative attributes to the valuation subject and adjust for the differences between the publicly-traded comparable and the valuation subject if necessary.

Based on the available financial information provided by the Management, the Business Enterprise has not yet commenced operations and has no revenue recognized since its incorporation. As advised by the Management, the Project is expected to generate income after the proposed partial opening in and around 2018. Comparative analysis in terms of profitability is not applicable in this occasion as the Business Enterprise has not been generating revenue. Further to the Management's discussion and analysis, as the Business Enterprise has been proposed to engage in multi-purpose attractions project for travel and tourism, it has an asset-heavy balance sheet including ancillary and leisure facilities such as hotel, dormitories, temples, public toilets and sightseeing pavilions. It is fairly common and usual for industry participants engaged in this sector to operate through an asset-intensive model which leads to significant fixed assets investments. We have therefore examined the balance sheet items of the comparable samples and compared the net fixed assets-to-total assets ratio of the comparable samples with that of the Business Enterprise, with an aim to identify comparable companies with similar assets composition as the Business Enterprise. Having reviewed the latest available financial statement of the Business Enterprise, the net fixed assets-to-total assets ratio of the Business Enterprise, which was calculated by dividing the fixed assets net accumulated depreciations by the total assets excluding cash and cash equivalents, was approximately 62% as at 31 March 2017.

In addition, to account for significant cash differences, we have also performed the financial analysis by checking the net cash level of the comparable samples. A high level of net cash in a company is a kind of non-operating assets and implicitly factors in the share price as well as the market capitalization. As the P/B ratio is the ratio of market capitalization over net book value, the P/B ratio of comparable holding excess net cash would be distorted, and thus the market multiple does not truly reflect the fair market value of its underlying operations and business. When comparing with the valuation subject, it had a very low level of net cash in the balance sheet as of the Valuation Date. Accordingly, we consider it is not suitable to use companies with significant net cash as comparable in our valuation, so as to avoid a biased and non-representative result.

The comparative financial analysis is presented as below:

		Net cash[1]/ Market capitalization	**Net fixed assets/ total assets[2]**
Business Enterprise	:	N/A[3]	62%
Comparable sample			
308 HK	:	30%	49%
2255 HK	:	–33%	80%
8228 HK	:	–245%	91%
000069 CH	:	–58%	16%
000888 CH	:	5%	76%
300144 CH	:	2%	43%
600054 CH	:	9%	44%
600593 CH	:	3%	43%
600706 CH	:	–7%	53%
600749 CH	:	–17%	58%

* *Figures above are subject to rounding*

Table 4: Comparative financial analysis

Source: Latest public financial data on or before the Valuation Date provided by Bloomberg and the Management

Note:

1. Net cash is estimated as the cash & cash equivalents minus the debt.

2. Net fixed assets is fixed assets net accumulated depreciations and cash and cash equivalents are excluded from the total assets.

3. Based on the unaudited and consolidated financial result provided by the Management, the Business Enterprise had a nominal cash in the account and was a private company without market capitalization.

11.4. Comparable Companies Identified

By comparing the two financial ratios in section 11.3, we have further identified a total of 3 guideline public companies for relative valuation as follows:

1. Haichang Ocean Park Holdings Ltd. (2255 HK)

2. National Arts Entertainment and Culture Group Ltd. (8228 HK)

3. Emei Shan Tourism Company Limited (000888 CH)

The above companies have been considered as more direct comparable than others in terms of financial comparability as they did not have a large position of net cash and thus had a relatively lower ratio of the net cash-to-market capitalization, and their net fixed assets/total assets were higher than that of the valuation subject. Despite the fact that there are only three available comparable which operate in slightly different industry segments and/or locations or exhibit differences in stage and scale of the development, these comparable ultimately identified are still considered to be most relevant which provide fair and representative comparison with the subject company for the following reasons, (i) they are subject to the same economic and industry forces, (ii) they are exposed to similar risks and rewards and (iii) they share similar financial characteristics, and hence in this respect that offer useful valuation benchmarks.

11.5. Multiple Ratio

In calculating the multiple ratio, we referred to the latest, publicly available annual or interim result of the comparable companies and applied the relevant financial data. In some cases, it is useful to apply projected financial data, however, such data is unavailable for both the comparable companies and the Business Enterprise. The multiples calculated from the comparable companies are presented below:

Comparable company		**Adjusted P/B**
2255 HK	:	1.54
8228 HK	:	0.88
000888 CH	:	3.49
Maximum	:	3.49
Minimum	:	0.88
Mean	:	1.97
Median	:	1.54
Applied ratio	:	1.54

* *Figures above are subject to rounding*

Table 5: Multiple ratio of guideline comparable companies

Source: Bloomberg

Based on the above table, the adjusted P/B ratio of the comparable companies ranged from the minimum of 0.88 to the maximum of 3.49, resulting in a mean of 1.97 and a median of 1.54. Statistically, median is preferable as it is not influenced by extreme values. We then applied the median of 1.54 to the corresponding measurement base, which is based on the latest available financial data of the Business Enterprise as at the Valuation Date. As per the unaudited and consolidated financial result provided by the Management, the adjusted net book value of the Business Enterprise as of the Valuation Date approximated to RMB161,012,000, equivalent to approximately HK$181,670,000 at the exchange rate of RMB1:HK$1.1283.

11.6. Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests; therefore, adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Business Enterprise. Based on research published by Mergerstat Control Premium Study[1], the control premium was approximately 44%, representing the mean of the 2016 quarterly control premium international averages from completed transactions with publicly traded target companies across different industries. According to the table 6, the 5-year historical quarterly control premium international averages from 2012 to 2016 normally ranged from approximately 30% to 50%. To avoid using too long a time span of data that may be no longer relevant, we have made reference to the current data of reasonable period. The adopted premium of 44% is within the reasonable range and representative of market data.

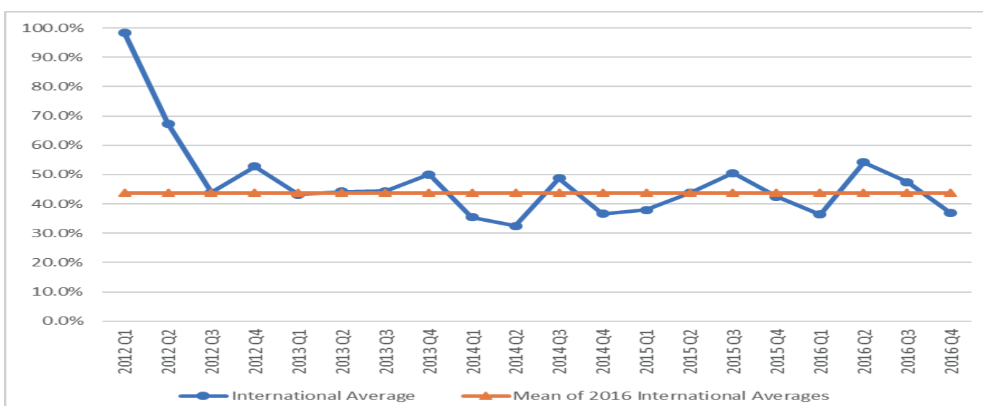

Table 6: Historical control premium international averages

Source: Mergerstat Control Premium Study

Note:

1. Mergerstat Control Premium Study is a study published by Factset, examining transactions whereby 50.01% or more of a company was acquired.

11.7. Marketability Discount

In addition, we have adopted a discount lack of marketability ("**DLOM**") of approximately 15.03% for the Business Enterprise as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. 15.03% discount is based on the 2016 edition of The FMV Restricted Stock Study Companion guide[1], representing the median discount of 736 examined private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through September 2015.

Note:

1. The FMV Restricted Stock Study Companion Guide is presented by FMV Opinions, Inc. and represents the most widely used and accepted database of DLOM available to the market participants.

11.8. Calculation

Based on the above parameters and inputs, the calculation of this valuation is presented as follows:

	Parameters	Basis		Input value
(1)	Applied P/B ratio		:	1.54
(2)	Adjusted net asset value		:	HK$181,670,000
(3)	Implied 100% equity value	(1) x (2)	:	HK$279,070,000
(4)	Plus control premium	(3) x 44%	:	HK$122,790,000
(5)	Implied value with control premium	(3) + (4)	:	HK$401,850,000
(6)	Less marketability discount	(5) x 15.03%	:	HK$60,400,000
(7)	Implied value after control & DLOM	(5) – (6)	:	HK$341,460,000

* *Figures above are subject to rounding*

Table 7: Calculation basis of the valuation

Source: Graval

12. VALUATION ASSUMPTIONS

- The Project will be completed as scheduled and developed into a natural beauty and media-based ecocultural tourism project by the Business Enterprise in accordance with the plans and expectations of the Management;

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;

- The contractual parties of the agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewed upon expiry;

- The availability of finance will not be a constraint on the forecast growth of the Business Enterprise's operations;

- No contingent assets and liabilities or any other off-balance sheet items is assumed and should be recognised or valued attributable to the Business Enterprise;

- The unaudited financial statements of the Business Enterprise as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Business Enterprise as at the respective balance sheet dates;

- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operation of the Business Enterprise;

- There will be no material changes in the business strategy of the Business Enterprise and its expected operating structure;

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewed upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise.

13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy.

We have made reference to the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

We have not made any kinds of representation or statement regarding any tax implications under the revaluation. Preparation of this report does not imply that Graval has provided in any way formal tax advices to the Business Enterprise and the Company, which is beyond the scope of this engagement as agreed by the Company.

We have not investigated the title to or any legal liabilities of the Group and have assumed no responsibility for the title to the Group.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospect as well as the business plan of the Group provided to us.

14. REMARKS

The Management has reviewed and agreed on the report and confirmed the factual content of the report.

We hereby confirm that we have neither present nor prospective interests in the Group, the Company and its subsidiaries and associated companies, or the value reported herein.

15. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the fair market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **HK$341,460,000 (HONG KONG DOLLARS THREE HUNDRED FORTY ONE MILLION FOUR HUNDRED AND SIXTY THOUSAND ONLY)**.

Respectfully submitted,
For and on behalf of
GRAVAL CONSULTING LIMITED

Kelvin C.H. Chan, *FCCA, CFA, MRICS*
Chairman

Analysed and reported by : **Damon S.T. Wan**, *CFA, FRM*
Director

: **Willy T.Y. Yu**
Analyst

ADDENDUM I – VALUATION APPROACHES

Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

ADDENDUM II – PRECEDENT TRANSACTIONS REFERENCE

For cross-reference purpose, we have searched precedent transactions in Bloomberg based on the following search criteria.

- The acquisition targets were principally engaged in the development, operation and management of amusement parks and tourism related services; and
- The precedent deals were completed in three years prior to the Valuation Date.

To the best of our endeavours and available information, the below screening result based on the above criteria is a exhaustive list of precedent transactions for reference.

Reference transaction	Acquirer	Target	Consideration[1] *HK$'million*	NBV[2] *HK$'million*	P/B
1	Rentian Technology Holdings Ltd. (885 HK)	Carnival Group International Holdings Ltd. (996 HK)	8,584	7,036	1.22
2	Zhonghong Zhuoye Group Co. Ltd.	SeaWorld Entertainment Inc. (SEAS US)	15,863	3,581	4.43
3	Overseas Chinese Town Enterprises Co.	Yunnan Tourism Co. Ltd. (002059 CH)	7,463	1,686	4.43
4	Yunnan Provincial Investment Holdings Group Co. Ltd.	Lijiang Yulong Tourism Co. Ltd. (002033 CH)	7,786	2,448	3.18
				Mean:	3.31
				Median:	3.80

* *Figures above are subject to rounding*

Table 8: List of precedent transactions

Source: Bloomberg

Note:

1. This is the estimated consideration for 100% equity interest simply by using the reciprocal of the purchase price of acquired interests.

2. This is the net book value of the 100% equity interest.

Base on the above table, the mean and median of P/B were estimated to be 3.31 and 3.80 respectively, whilst the respective P/B and adjusted P/B of the Proposed Acquisition was approximately 1.88. The shortlisted precedent transactions served as additional reference and secondary source of information regarding the recent mergers and acquisition in the comparable sectors. However, as mentioned in *section 11.1 Methodology*, the above precedent transactions might not be fully comparable to the Proposed Acquisition as each of the deals may factor the value of synergies or other specific considerations and thus include premiums or discounts. The publicly available disclosures of the above precedent transactions did not contain all necessary information for our further analysis and adjustments. The precedent transactions in the above table must be viewed in the context of factors that include market dynamics, competitive differences and significance of stake acquired and therefore is for general reference only. This section would be an alternative assessment on the price multiple for valuation but constitute no impact to our valuation conclusion. Details of the above precedent transactions is presented as follows:

Reference transaction 1

The transaction was announced on 16 August 2017 and is currently pending. The acquirer is Rentian Technology Holdings Ltd. (885 HK), which is principally engaged in the provision of data management services and integrated smart IoT solutions for industrial supply chains. The target company is Carnival Group International Holdings Ltd. (996 HK) and is principally engaged in the management, development and operation of property and integrated large-scale tourist projects in China. The consideration amounted to approximately HK$112 million for 1.3% equity interest in the target company.

Reference transaction 2

The transaction was announced on 24 March 2017 and subsequently completed on 8 May 2017. The acquirer is Zhonghong Zhuoye Group Co. Ltd., a private company principally engaged in the provision of development, operation and management of industrials projects, real estate, finance culture and mining services. The target company is SeaWorld Entertainment Inc. (SEAS US), which is principally engaged in the operation and management of theme parks featuring a diverse array of rides, shows and other attractions in the United States. The consideration approximated to HK$3,331 million for 21% equity interest in the target company.

Reference Transaction 3

The transaction was announced on 29 November 2016 and subsequently completed on 4 May 2017. The acquirer is Overseas Chinese Town Enterprises Co., a private company principally engaged in the provision of development, operation and management of theme parks, hotels, holiday entertainment and ecological sight-seeing services. The target company is Yunnan Tourism Co. Ltd. (002059 CH) and is principally engaged in the operation of the World Horticultural Exposition Garden and management of planting projects in China. The consideration for 49.52% equity interest of the target company was approximately HK$3,696 million.

Reference Transaction 4

The transaction was announced on 3 January 2016 and subsequently completed on 18 May 2016. The acquirer is Yunnan Provincial Investment Holdings Group Co Ltd., a private company mainly engaged in the provision of commerce operation, commodity trading, urban construction and travelling services. The target company is Lijiang Yulong Tourism Co. Ltd. (002033 CH), with principal business in the provision of travelling services in Lijiang, Yunnan, China, together with cableway transportation, bus transportation, food and beverages services and other related tourism services. The consideration was approximately HK$716 million for 9.2% equity interest of the target company.

ADDENDUM III – COMPARABLE SAMPLES DESCRIPTION

China Travel International Investment Hong Kong Ltd.

China Travel International Investment Hong Kong Limited, through its subsidiaries, operates tourist attractions, golf clubs, hotels, and other travel related activities. The company also provides passenger transportation as well as freight forwarding and cargo services. The company manages and operates two major theme parks in China, namely Window of the World (total site area of approximately 720 Chinese mu) and Splendid China (total site area of approximately 450 Chinese mu) at Shenzhen, with themes focusing on human civilization and world culture.

Haichang Ocean Park Holdings Ltd.

Haichang Ocean Park Holdings Ltd. develops and operates theme parks and other ancillary commercial properties. The company manages museums, aquariums, theme parks, water theme parks, and other related properties. Haichang Ocean Park Holdings manages and operates its ten theme parks throughout China at Dalian, Yantai, Qingdao, Shanghai, Tianjin, Wuhan, Chongqing, Chengdu and Sanya, with themes focusing on marine sceneries and habitats. Besides, the company is currently developing its Sanya Haichang Dream World project, which is currently still under construction.

National Arts Entertainment and Culture Group Ltd.

National Arts Entertainment and Culture Group Ltd. operates entertainment businesses. The company is principally engaged in film production and distribution, provision of artists management, advertising and promotion services, provision of studio, theme park and hotels. The company is currently developing its Xiqiao National Arts Film Studio Project (total site area of approximately 666 Chinese mu), located in Foshan city, Guangdong province, China, which is a studio incorporating tourism and recreational facilities such as film shooting areas, hotel and preforming arts complexes.

Shenzhen Overseas Chinese Town Co. Ltd.

Shenzhen Overseas Chinese Town Co.,Ltd invests in and manages theme parks in China. The company, through its subsidiaries, also provides travel agency service. The company operates its Happy Valley (total site area of approximately 525 Chinese mu) as the principal theme park at Shenzhen, China, with themes focusing on adventure games.

Emei Shan Tourism Company Limited

Emei Shan Tourism Company Ltd. provides travel products and services in the Emei Shan area, Sichuan, China. The company sells park tickets, operates cable cars, offers scenic tours, manages hotels, and provides travel agency services. The company manages and operates a natural scenery area of approximately 231,000 Chinese mu, including 26 templates, to promote an ancient Chinese religious culture to tourists.

Songcheng Performance Development Co., Ltd.

Songcheng Performance Development Co., LTD invests, develops and operates theme parks and tourism cultural performing arts. The Company's major projects include the Sungcheng theme park and the cultural performing arts musical "The Romance of the Song Dynasty". The company manages and operates thirty theme parks at various regions of China, including Hangzhou, Sanya, Lijiang, Jiuzhaigou, Shanghai, Guilin, Zhangjiajie, Xi'an and Wuhan. Its flagship theme park of Sungcheng at Hangzhou occupies an approximate site area of 100 Chinese mu, with themes focusing on ancient Chinese culture.

Huangshan Tourism Development Co., Ltd.

Huangshan Tourism Development Co., Ltd. operates in the tourism industry. The company provides cableway transportation, sells garden tickets, operates hotels and restaurants, and provides tourism services in the Huang Shan area, Anhui, China, which occupies a natural scenery area of approximately 240,900 Chinese mu.

Dalian Sunasia Tourism Holdings Co. Ltd

Dalian Sunasia Tourism Holding Co., Ltd. owns and operates the flagship Dalian Shengya Ocean World (total site area of approximately 75 Chinese mu), a submarine tunnel style aquarium, located in Dalian, Liaoning, China, to promote marine habitats. The company also provides related food services and operates souvenir stores.

Xi'an Quijiang Cultural Tourism Co. Ltd.

Xi'an Qujiang Cultural Tourism Co Ltd engages in the scenic spot operation management, hotel catering and travel service businesses at Quijiang area, Xi'an, China. The company manages and operates seven scenic spot areas at Quijiang, with themes focusing on the promotion of the ancient Chinese architectural culture to visitors. Its flagship spot, Tang Paradise, occupies a site area of approximately 1,000 Chinese mu.

Tibet Tourism Co. Ltd.

Tibet Tourism Co., Ltd. provides travel agent services, manages and operates hotels and restaurants in Tibet, China for its five major natural country parks, such as Brahmaputra Grand Canyon. The company also provides advertising agency services.

For illustrative purpose, the adjusted P/B ratio of the comparable samples is set forth below:

Bloomberg stock code	Comparable sample		Adjusted P/B
308 HK	China Travel International Investment Hong Kong Ltd.	:	0.87
2225 HK	Haichang Ocean Park Holdings Ltd.	:	1.54
8228 HK	National Art Entertainment and Culture Group Ltd.	:	0.88
000069 CH	Shenzhen Overseas Chinese Town Co. Ltd.	:	1.35
000888 CH	Emei Shan Tourism Company Limited	:	3.49
300144 CH	Songcheng Performance Development Co., Ltd.	:	7.31
600054 CH	Huangshan Tourism Development Co., Ltd.	:	2.75
600593 CH	Dalian Sunasia Tourism Holdings Co. Ltd.	:	7.92
600706 CH	Xi'an Quijiang Cultural Tourism Co. Ltd.	:	3.80
600749 CH	Tibet Tourism Co. Ltd.	:	7.64
	Mean	:	3.75
	Median	:	3.12

ADDENDUM IV – STAFF BIOGRAPHY

Kelvin C.H. Chan, *FCCA, CFA, MRICS*
Chairman

Mr. Kelvin C.H. Chan is a CFA Charterholder, a member of RICS and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Damon S.T. Wan, *CFA, FRM*
Director

Mr. Damon S.T. Wan is a CFA Charterholder and Certified FRM and has been working in the professional valuation field since 2008. He is experienced and specialized in performing financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

Willy T.Y. Yu
Analyst

Mr. Willy T.Y. Yu is an analyst who has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading and business valuation.

The following is the text of a property valuation report, prepared for the purpose of incorporation in this circular received from Graval Consulting Limited., an independent valuer, in connection with its valuation as at 31 January 2018 for the property to be acquired by ShiFang Holding Limited.

graval Consulting

Graval Consulting Limited
Suite 1702, 17/F, Chinachem Tower,
No. 34-37 Connaught Road Central,
Hong Kong

27 March 2018

The Board of Directors
ShiFang Holding Limited
Suite 4701,
47th Floor,
Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instruction for us to value the property interest (the "**Property**") to be acquired by ShiFang Holding Limited (the "**Company**") or its subsidiaries (together referred as the "**Group**") located in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 January 2018 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("**Market Value**") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are no readily identifiable market comparables. The property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. It applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For land portion of the Property, we have adopted market comparison method by making reference to the comparable market transactions or market offer as available. Comparable properties of similar size, scale, nature, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 Edition and the International Valuation Standard 2017.

VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties.

We have also assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, all required licenses, permit, certificate, and authorizations have been obtained.

Moreover, in undertaking our valuation for the properties located in the PRC, we have assumed that, unless otherwise stated, transferable land use rights in respect of such properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of such properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest which include the Original Lease, the Transfer Agreement and the New Lease. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, Beijing Yingke (Guangzhou) Law Firm, concerning the validity of the title to the property interest located in the PRC.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property in February 2017 by Mr. Fan Chuan Peng (BSc in Civil Engineering). During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

DECLARATION

It is declared that we are the "External Valuer" for the subject property valuation assignment.

According to the HKIS Valuation Standards 2017, "an 'External Valuer' is a valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment."

REMARKS

We have valued the Property in Renminbi (RMB).

We enclose herewith the valuation detail.

Yours faithfully,
For and on behalf of
Graval Consulting Limited

Peggy Y. Y. Lai
MHKIS, RPS(GP), BSc
Director

Ms. Peggy Y.Y Lai is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lai is a member of The Hong Kong Institute of Surveyors.

VALUATION DETAIL

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 January 2018
A parcel of uncultivated hills and land with buildings and structures erected thereon located in Ligezhuang Village, Hebei Town, Fangshan District, Beijing, the PRC (中國北京房山區河北鎮李各莊村之一幅荒山荒地及其上之建築物及構築物)	The Property comprises a parcel of uncultivated hills and land with a measurable usable area of approximately 4,022 Chinese mu (2,681,347 sq.m.) with some buildings and structure erected thereon completed before 2004. The site is tenanted from Economic Cooperative Society of Ligezhuang Village for a term of 50 years commencing on 30 December 2008 and expiring on 30 December 2058 for cultural,tourism, health preservation, cultivation, livestock breeding and multi-purpose development and use. The buildings (the "**Buildings**") and structures mainly including hotel, dormitories, temples, public toilets and sighseeing pavilions. Basic utilities and infrastructure works including roads, water supply, power supply, lightings, sewage and drainage were constructed. The total gross floor area is about 19,695 sq.m.	Upon our inspection and the information provided, the Property was vacant and was being developed into a multi-purpose film studio, media and performing arts training center, resort and eco-tourism park.	RMB202,080,000 (Renminbi Two Hundred and Two Million and Eighty Thousand Only)

Notes:

1. Pursuant to a tenancy agreement (the "**Original Lease**") entered into between Economic Cooperative Society of Ligezhuang Village (the "**Land Owner**")and Beijing Zhongxia International Investment Development Company Limited (北京中夏投資發展有限公司)(the "**Original Tenant**"), the Land Owner agreed to lease the Land with a measurable usable area of approximately 4,022 Chinese mu falling within the four boundaries to the Original Tenant for a term of 50 years expiring on 30 December 2058 (the "**Lease Period**") at the annual rent of RMB90,000 (subject to 6% upward adjustment every ten years).

2. On 16 May 2016, the Original Tenant entered into a memorandum of understanding with Fujian Fanxing Electronics Technology Co., Ltd. (福建繁星電子科技有限公司)("**Fujian Fanxing**"), the then holding company of Beijing Fanxing, regarding the possible assignment of the leasing right of the Original Tenant under the Original Lease and the ownership of the Project Assets.

3. Pursuant to a transfer agreement ("**Transfer Agreement**") entered into between the Original Tenant and Fujian Fanxing dated 29 July 2016, the Original Tenant had transferred the leasing rights to Fujian Fanxing.

4. On 3 August 2016, the Original Tenant and Fujian Fanxing entered into an assignment (the "**Assignment**") to assign the leasing right under the Original Lease and the Project Assets in favour of Beijing Fanxing (as expressly nominated by Fujian Fanxing to take up all rights of the Assignment) absolutely. Under the Assignment, all obligations of the Original Tenant under the Original Lease (including the obligation to pay rent to the Land Owner) were assumed by Fujian Fanxing (or its nominee Beijing Fanxing) under the same terms of the Original Lease with effect from 1 January 2017. The consideration payable by Fujian Fanxing (or Beijing Fanxing) to the Original Tenant for the Assignment was RMB30 million. Under the terms of the Assignment, the Original Tenant undertook to procure the Land Owner to grant a direct lease (i.e. the New Lease) to Beijing Fanxing upon the same terms as in the Original Lease, such that the name of Beijing Fanxing be registered as the legal tenant of the Land on the official records of the local government for the remaining Lease Period (the "**Change of Tenant Registration**")(租賃主體變更).

5. On 5 December 2016, a direct lease (the "**New Lease**") was formally entered into by the Land Owner with Beijing Fanxing, whereby the Land Owner expressly consented to the substitution of the tenant of the Land by Beijing Fanxing and the Change of Tenant Registration along the same terms as originally specified in the Original Lease, subject only to the adjustment of the annual rental from RMB90,000 to RMB106,000 (with 6% upward adjustment for every ten years).

6. The Land is situated in Beijing City and approximately 40 kilometers away from the city centre, approximately 90 kilometers away from Xiongan New Area(雄安新區)and approximately 130 kilometers away from Tianjin City, with high transportation accessibility to and from all of these areas and Hebei Province.

7. We have ascribed no commercial value to the buildings with gross floor area of about 19,695sq.m. as we have not been provided with relevant title documents of the property. However, by assuming that all the relevant title documents of the property has been obtained and is entitled to occupy, use, transfer and lease, freely in the market, we are of the opinion that the replacement cost of the building portion as at the Valuation Date was RMB15,600,000.

8. Pursuant to land survey report provided by the Company, the total site area of the Property is approximately 4,022 Chinese Mu.

9. As advised, the Property will be developed into a multi-purpose film studio, media and performing arts training center, resort and eco-tourism park. The development plan of the Project was submitted to the local government for their approval in September 2017. The development of the Land is divided into three stages. The first development stage includes the construction of all zones (other than studio city), which is expected to be completed and be ready for partial opening and operation by end of 2018. The second development stage mainly comprises the construction of studio city and is expected to be completed by end of 2019. The last development stage includes the construction of outdoor shooting spot in each zone (other than the studio city) and is expected to commence operation by stages in 2020 and 2021. The total investment cost of Beijing Fanxing amounts to approximately RMB 97.1 million.

10. Based on the information and advice available to the Company, Construction Project Planning Permit（建設項目工程規劃許可證）and Construction Project Construction Permit（建設項目施工許可證）are required for construction, so long as the Target Group can satisfy the prerequisites of the relevant licenses, the Company's PRC legal advisers are currently not aware of any circumstances under which any practical legal impediments have existed as to the obtaining of the permits stated above.

11. As advised by the Company, the Buildings and future construction of the buildings and structures would not violate any environmental regulations and not subject to the government's environmental impact assessment.

12. We have been provided with a legal opinion by the Group's PRC legal advisor, Beijing Yingke (Guangzhou) Law Firm, regarding the legal title of the Property, which contains, *inter alia*, the followings:

    i. The Land Owner has the right to occupy, use and derive income from the Property.

    ii. The Transfer Agreement entered into by the Land Owner and Fujian Fanxing is valid and enforceable.

    iii. The Assignment entered into by The Original Tenant and Fujian Fanxing to assign the leasing right under the Original Lease and the Project Assets in favour of Beijing Fanxing is valid and enforceable.

    iv. The New Lease entered into by the Land Owner with Beijing Fanxing, is valid and enforceable, Beijing Fanxing is entitled to use, occupy or operate the Property with site area of approximately 4022.25 Chinese mu within the leasing period; and

    v. Beijing Fanxing is entitled to lease or transfer the Transfer Agreement which include the land use right of the Property after obtaining the consent from the Land Owner.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to Completion and the resolution to the Increase in Authorised Share Capital is passed at the EGM):

(i) as at the Latest Practicable Date:

Authorised capital:		*HK$*
2,000,000,000	Shares	200,000,000.00
Issued and fully paid or credited as fully paid:		
1,737,996,121	Shares	173,799,612.10

(ii) immediately after allotment and issue of the Consideration Shares and assuming that the resolution relating to the Increase in Authorised Share Capital is passed at the EGM:

Authorised capital:		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued and fully paid or credited as fully paid:		
1,737,996,121	Shares in issue as at the Latest Practicable Date	173,799,612.10
550,000,000	Consideration Shares to be allotted and issued upon Completion	55,000,000.00
2,287,996,121	Shares	228,799,612.10

All the issued Shares are fully paid and rank *pari passu* in all respects including all rights as to voting, dividends and interests in capital. The Consideration Shares to be issued upon Completion will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Consideration Shares. The Consideration Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives, warrants or securities which were convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interest or short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were entered in the register maintained by the Company referred to in Section 352 of the SFO; or (iii) were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long position in the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of interest
Mr. Chen Zhi ("**Mr. Chen**")	Interest in controlled corporation and beneficial owner	166,394,696 *(Note)*	9.57%
Mr. Yu Shi Quan	Beneficial owner	892,196	0.05%

Note:

Mr. Chen, being an executive Director, was deemed to be interested in 166,394,696 Shares, comprising (i) 7,032,655 Shares directly held by him; and (ii) 159,362,041 Shares held by TopBig International Development Limited ("**TopBig International**"), a controlled corporation which is wholly-owned by Mr. Chen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (b) were entered in the register maintained by the Company referred to in Section 352 of the SFO; or (c) were notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' interest or short positions in shares and underlying shares of the Company and its associated corporations

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, persons other than a Director or chief executive of the Company who had interests or short positions in the Shares and underlying shares of the Company which were disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Long position in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of interest
Shi Jianxiang	Beneficial owner	186,850,000	10.75%
TopBig International	Beneficial owner *(Note 1)*	159,362,041	9.17%
Chen Rong	Interest of controlled corporation *(Note 2)*	157,340,018	9.05%
Happy Day Development Ltd.	Beneficial owner *(Note 2)*	157,340,018	9.05%
Wang Fucai	Interest of controlled corporation *(Note 3)*	132,084,068	7.60%
Rich Land Limited	Beneficial owner *(Note 3)*	132,084,068	7.60%
Chen Rui	Interest of controlled corporation *(Note 4)*	130,807,645	7.53%
Chung Tai Limited	Beneficial owner *(Note 4)*	130,807,645	7.53%

Note:

1 TopBig International is a controlled corporation wholly-owned by Mr. Chen, an executive Director.

2. Happy Day Development Ltd. is a controlled corporation wholly-owned by Chen Rong.

3. Rich Land Limited is a controlled corporation wholly-owned by Wang Fucai.

4. Chung Tai Limited is a controlled corporation wholly-owned by Chen Rui.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executive of the Company had any interests or short positions in the Shares or underlying shares of the Company which were disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Enlarged Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Enlarged Group.

6. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting, and which was significant in relation to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance to the Enlarged Group known to the Directors to be pending or threatened against any members of the Enlarged Group.

9. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
Graval Consulting Limited	Independent Valuer
PricewaterhouseCoopers	Certified Public Accountants

Each of the experts named above has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Company were made up (i.e. 31 December 2016), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the date of this circular which are or may be material:

(i) the placing agreement dated 11 July 2016 entered into between the Company as issuer and Aurora Borealis Investment Services Limited as placing agent in relation to the best-effort placing of up to 241,388,000 shares at the issue price of HK$0.41 per share;

(ii) the loan agreement dated 28 September 2017 entered into between the Company and a licensed money lender in Hong Kong in respect of the obtaining of loan facility in the amount of HK$60 million;

(iii) the placing agreement dated 19 December 2017 entered into between the Company as issuer and Aurora Borealis Investment Services Limited as placing agent in relation to the best-effort placing of up to 289,666,000 shares at the issue price of HK$0.145 per share;

(iv) the Acquisition Agreement;

(v) the Supplemental Agreements;

(vi) the Framework Agreement; and

(vii) the Operation Right Agreement.

11. GENERAL

(i) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(ii) The headquarters and principal place of business of the Company in the PRC is located at 6/F, Hua Fu Mansion, No. 121 Gutian Road, Gulou District, Fuzhou, Fujian Province, the PRC.

(iii) The principal place of business of the Company in Hong Kong is located at Suite 4701, 47th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, whose address is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) The company secretary of the Company is Ms. Chan Ching Yi. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

(vi) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suite 4701, 47th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

(i) memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 31 December 2015 and 2016;

(iii) the interim report of the Company for the six months ended 30 June 2017;

(iv) the accountant's report of the Target Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(v) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(vi) the business valuation report of the Target Group prepared by the Independent Valuer as set out in Appendix V to this circular;

(vii) the written consents referred to in the paragraph headed "*Experts and Consents*" in this appendix;

(viii) the material contracts referred to in the paragraph headed "*Material Contracts*" in this appendix;

(ix) the Acquisition Agreement;

(x) the Supplemental Agreements;

(xi) the Framework Agreement;

(xii) the Operation Right Agreement; and

(xiii) this circular.

SHIFANG HOLDING LIMITED
十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of ShiFang Holding Limited (the "**Company**") will be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 19 April 2018 at 3:00 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(i) the sale and purchase agreement dated 8 May 2017 (the "**Acquisition Agreement**", a copy of which has been produced to this meeting marked "A" and signed by the chairman of the meeting for identification purpose) entered into between Zenith Sky Limited, Better Top Investment Group Limited, Pioneer Way Investment Holdings Limited, Joint Way Limited, Fullness Time Limited and Fortune Catcher Investments Limited as vendors, the Company as purchaser and Mr. Zhang Qingsong, Ms. Lin Huiyun, Ms. Sun Xia, Ms. Guo Jinmei, Ms. Cai Ruiying and Ms. Luo Junrong as guarantors in respect of the acquisition of the entire issued share capital and all shareholders' loans (if any) of Supreme Glory Limited (the "**Acquisition**"), together with supplemental agreements to the Acquisition Agreement dated 31 July 2017, 29 September 2017, 30 November 2017, 31 January 2018 and 23 March 2018, their execution and the transactions contemplated thereunder (including the Project Assets FROR as defined in the Circular), be and are hereby approved, confirmed and ratified;

(ii) the allotment and issue of 550,000,000 Consideration Shares (as defined in the circular of the Company dated 27 March 2018 (the "**Circular**"), a copy of which has been produced to this meeting marked "B" and signed by the chairman of the meeting for identification purpose) at the issue price of HK$0.25 per Consideration Share, credited as fully paid as part of the consideration for the Acquisition, be and are hereby approved; and

(iii) any one director of the Company ("**Director**") be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company, including under seal of the Company, where applicable, and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Acquisition Agreement (including any supplemental agreement thereto) and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as he/she sees fit."

2. "**THAT**

(i) the authorised share capital of the Company be increased from HK$200,000,000 divided into 2,000,000,000 shares of nominal value of HK$0.10 each ("**Shares**") to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of 8,000,000,000 additional Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have rights and privileges and be subject to the provisions contained in the memorandum and articles of association of the Company (the "**Increase in Authorised Share Capital**"); and

(ii) any one Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in Authorised Share Capital."

3. "**THAT**

(i) the strategic cooperation framework agreement dated 15 September 2017 (the "**Framework Agreement**", a copy of which has been produced to the meeting marked "C" and signed by the chairman of the meeting for the purpose of identification) entered into between YSOLDE Group Limited (a wholly-owned subsidiary of the Company) and the People's Government of Yongtai County, Fuzhou City, Fujian Province, the PRC (the "**Yongtai Government**") in relation to the Yongtai Project (as defined in the Circular), and the operation right agreement dated 20 December 2017 (the "**Operation Right Agreement**") entered into between Fuzhou Kungfu Town Scenic Area Development Company Limited (a wholly-owned subsidiary of the Company) and the Yongtai Government governing the grant of the Operation Right over the Operation Site (as defined in the Circular), and the transactions contemplated thereunder, be and are hereby approved, confirmed, and ratified; and

(ii) any one Director be and is hereby authorized to do all such acts, matters and things, to sign and execute such documents or agreements or deeds on behalf of the Company, including under seal of the Company, where applicable, and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Framework Agreement, the Operation Right Agreement and all transactions contemplated thereunder, and to agree to such variations, amendments or waiver or matters relating thereto as he/she sees fit."

For and on behalf of
ShiFang Holding Limited
Siuming Tsui
Executive Director (Chief Executive Officer)

Hong Kong, 27 March 2018

Notes:

1. The register of members of the Company will be closed from 17 April 2018 to 19 April 2018 (both days inclusive) during which period no transfer of shares of the Company will be registered.

2. A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

3. In case of the joint registered holders of any Shares, any one of such persons may vote at any meeting, either in person or by proxy; but if more than one of such joint holders be present at any meeting in person or by proxy, the said person whose name stands first on the register of members of the Company shall alone be entitled to vote in respect thereof.

4. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company 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 fixed for holding the EGM.

As at the date of this notice, the executive Directors are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi and Mr. Yu Shi Quan; the non-executive Directors are Mr. Chen Wei Dong and Ms. Chen Min; the independent non-executive Directors are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, and Mr. Cai Jian Quan.