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

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

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DIFFER GROUP HOLDING COMPANY LIMITED

鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
51% EQUITY INTEREST
IN
FUJIAN CHINA OVERSEAS
URBAN DEVELOPMENT CO., LTD***

A letter from the board of directors of Differ Group Holding Company Limited is set out on pages 5 to 19 of this circular.

* For identification purpose only.

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DEFINITIONS

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

“Agreement”	the reorganisation agreement dated 12 November 2020 entered into between the Parties in relation to Disposal
“Announcement”	the announcement published by the Company dated 12 November 2020 in relation to, amongst other things, the Disposal
“Board”	the board of Directors
“Cash Consideration”	the consideration of RMB51,000,000 (equivalent to approximately HK\$59,302,000) payable by the Purchaser for the Sale Shares pursuant to the Agreement
“Company”	Differ Group Holding Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
“Conditions Fulfilment Date”	31 December 2020, unless otherwise extended by the mutual agreement of the Parties in writing
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Differ China”	Differ Group (China) Co., Ltd.* (鼎豐集團(中國)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Differ Management”	Differ Commercial Management Company Limited (鼎豐商業管理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser as contemplated under the Agreement
“Disposal Company”	Fujian China Overseas Urban Development Co., Ltd* (福建中海外城市開發有限公司), formerly known as Ganzhou Jiaheng Business Consulting Co., Ltd.* (贛州市嘉恒商務諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Vendor as at the Latest Practicable Date

DEFINITIONS

“Disposal Group”	collectively the Disposal Company, Subsidiary A, Subsidiary B, Subsidiary C, Subsidiary D, Subsidiary A1, Subsidiary A2, Subsidiary A3 and Investment A
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment A”	Differ Guarantee Company Limited* (鼎豐擔保股份有限公司), a company incorporated in the PRC with limited liability, owned as to 90% by Differ China and 10% by the Subsidiary A
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Independent Valuer”	Vincorn Consulting and Appraisal Limited, the independent valuer engaged by the Company for preparing the valuation report in respect of Land 1 and Land 2
“Land 1”	the two land parcels legally owned by the Subsidiary B situated at northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, the PRC, with a total site area of approximately 74,721 sq.m.
“Land 2”	the two land parcels legally owned by the Subsidiary C situated at Northern side of Renmin North Road and the Eastern side of Waishe Road, Waishe Zone, Jingning Town, Lishui City, Zhejiang Province, the PRC, with a total site area of approximately 173,934 sq.m.
“Latest Practicable Date”	9 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Agreement, namely the Purchaser, the Vendor and Differ China
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Purchaser”	China Overseas Urban Development Co., Ltd* (中海外城市開發有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Sale Shares”	51% of the entire issued share capital of the Disposal Company
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shares”	the ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Shareholder”	the holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary A”	Xiamen Purchasing Supply Chain Technology Co., Ltd* (廈門採購寶供應鏈科技有限公司) (formerly known as Xiamen Differ Supply Chain Development Co., Ltd* (廈門鼎豐供應鏈發展有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Differ China
“Subsidiary A1”	Xiamen Jiayi Supply Chain Management Co., Limited* (廈門佳逸供應鏈管理有限公司) (formerly known as Xiamen Gongxin Trading Co., Ltd* (廈門共鑫貿易有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Subsidiary A
“Subsidiary A2”	Lishui Jiayi Supply Chain Management Co., Limited* (麗水佳逸供應鏈管理有限公司) (formerly known as Jingning Differ Supply Chain Management Co., Limited* (景寧鼎豐供應鏈管理有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Subsidiary A
“Subsidiary A3”	Ganzhou Jiayi Supply Chain Management Co., Limited* (贛州佳逸供應鏈管理有限公司) (formerly known as Ganzhou Jiachuang Supply Chain Management Co., Ltd.* (贛州嘉創供應鏈管理有限公司)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Subsidiary A
“Subsidiary B”	Lishui Fu Feng Cultural Tours Company Limited* (麗水市富豐文化旅遊有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Disposal Company

DEFINITIONS

“Subsidiary C”	Jingning Outdoor Residence Tour Investment Development Co., Limited* (景寧外舍古鎮旅遊投資發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Disposal Company
“Subsidiary D”	Xiamen Wending Commercial Operation Management Company Limited* (廈門問鼎商業運營管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Differ Management
“Total Consideration”	the aggregate of the Cash Consideration payable by the Purchaser for the Sale Shares pursuant to the Agreement, together with the Dividend Entitlement
“Transfers”	collectively, the Transfer 1 and the Transfer 2
“Vendor”	Xiamen Differ Cultural Tourism Group Co., Ltd.* (廈門鼎豐文化旅遊集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square meter
“%”	per cent.

* for identification purpose only.

For the purpose of illustration in this circular only, the translation of RMB into HK\$ is based on the rate of HK\$1: RMB0.86. The above conversion rates are for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

LETTER FROM THE BOARD

DIFFER GROUP HOLDING COMPANY LIMITED

鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

Executive Directors:

Mr. HONG Mingxian (*Chairman*)

Mr. NG Chi Chung (*Chief Executive Officer*)

Non-Executive Directors:

Mr. CAI Huatan (*Honorary Chairman*)

Mr. WU Qinghan

Independent Non-Executive Directors:

Mr. CHAN Sing Nun

Mr. LAM Kit Lam

Mr. CHEN Naike

Registered office:

Cricket Square,

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Headquarters and principal
place of business in the PRC:*

33/F, Differ Fortune Centre,

No. 503 Gaolin Middle Road,

Huli District,

Xiamen City,

Fujian Province, PRC

*Principal place of business in
Hong Kong:*

16/F, Euro Trade Centre

13-14 Connaught Road Central, Central

Hong Kong

11 December 2020

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
51% EQUITY INTEREST
IN
FUJIAN CHINA OVERSEAS
URBAN DEVELOPMENT CO., LTD***

INTRODUCTION

The Board announced on 12 November 2020 that the Purchaser (an Independent Third Party) entered into the Agreement with the Vendor and Differ China, both of which are indirect wholly-owned subsidiaries of the Company, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares for the Total Consideration which consist of the Cash Consideration and the Dividend Entitlement.

* For identification purpose only

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios under the Listing Rules exceeds 25% but is less than 75%, the Disposal as contemplated under the Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to give you further information on the Disposal and other information as required under the Listing Rules.

SALE AND PURCHASE AGREEMENT

Set out below are the key terms of the Agreement:

Date: 12 November 2020

Parties: Purchaser : China Overseas Urban Development Co., Ltd* (中海外城市開發有限公司), an Independent Third Party, whose ultimate beneficial owners are (i) China Urban-townization Promotion Council* (中國城鎮化促進會); and (ii) China Industrial Economics Association* (中國工業經濟學會), both of which are set up by various government bodies in the PRC

Vendor : Xiamen Differ Cultural Tourism Group Co., Ltd.* (廈門鼎豐文化旅遊集團有限公司), a wholly-owned subsidiary of the Company

Differ China : Differ Group (China) Co., Ltd.* (鼎豐集團(中國)有限公司), a wholly-owned subsidiary of the Company

INFORMATION ON THE GROUP AND THE PURCHASER

As advised by the Purchaser, the Purchaser is a company incorporated in the PRC with limited liability. The Purchaser holds over 20 subsidiaries in the PRC, hence it operates large-scale businesses primarily in property development, cargo transportation and trading of construction materials. The Purchaser is set up by various governmental bodies in the PRC.

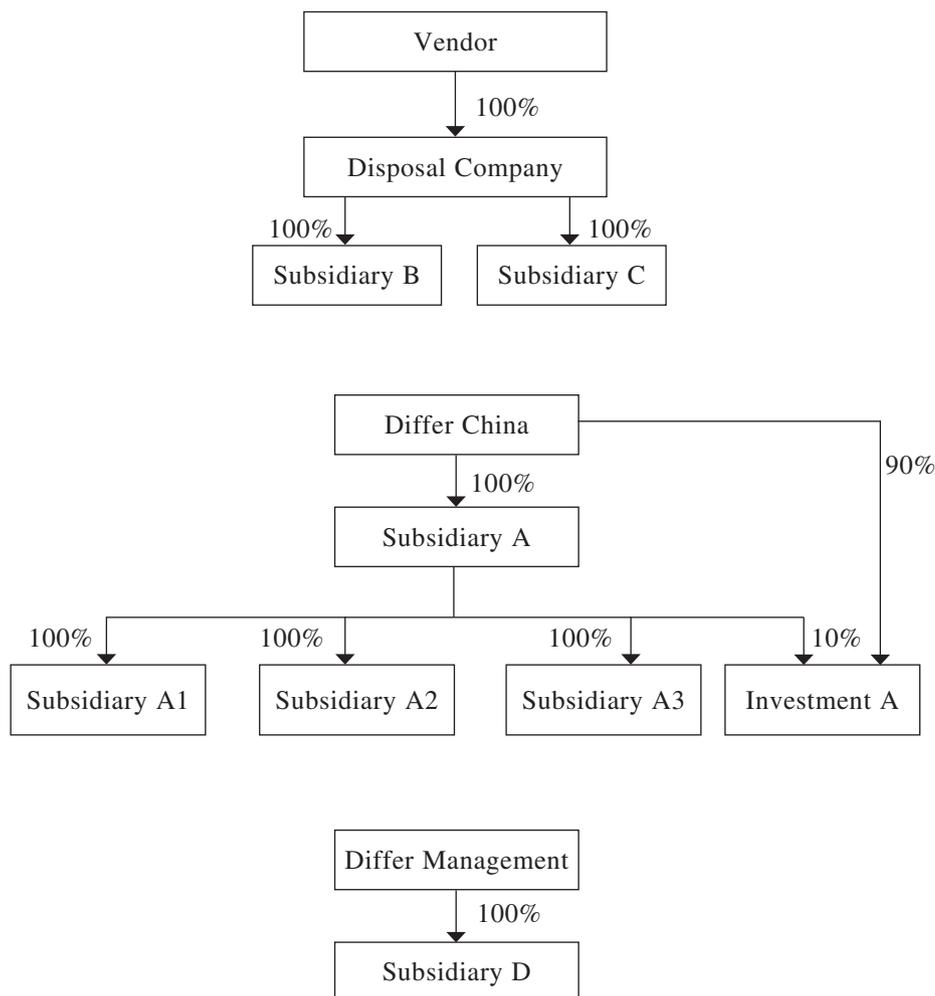
To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

The Group is principally engaged in the (i) assets management business (including (a) property development and investment and (b) distressed assets, equities investment and fund management), (ii) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and security brokerage services) and (iii) commodity trading business.

LETTER FROM THE BOARD

ASSETS TO BE DISPOSED

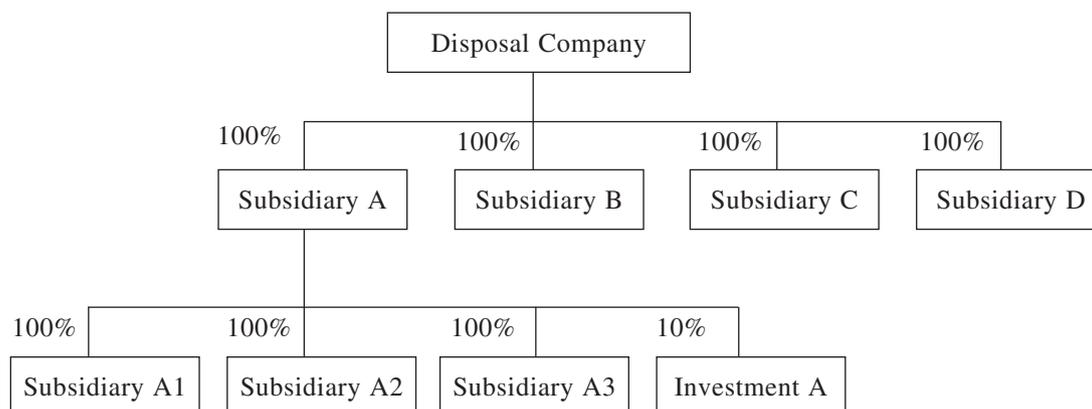
Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, which comprises 51% of the entire issued share capital of the Disposal Company. Set out below is the group structure of the Disposal Group as at the Latest Practicable Date:



Pursuant to the Agreement, (i) Differ China undertakes to transfer (the “**Transfer 1**”) its holding of the entire 100% equity interest in the Subsidiary A to the Disposal Company within 3 days after the Completion at the consideration of RMB30,000,000 (equivalent to approximately HK\$34,884,000); and (ii) the Vendor and/or Differ China shall procure Differ Management to transfer (the “**Transfer 2**”) its holding of the entire 100% equity interest in the Subsidiary D to the Disposal Company within 3 days after the Completion for nil consideration.

LETTER FROM THE BOARD

Set out below is the group structure of the Disposal Group after the Completion and the Transfers:



Note 1: Subsidiary A will become direct wholly-owned subsidiary of Disposal Company after the Transfer 1.

Note 2: Subsidiary A1, Subsidiary A2 and Subsidiary A3 will become indirect wholly-owned subsidiaries of Disposal Company after the Transfer 1.

Note 3: Subsidiary D will become direct wholly-owned subsidiary of Disposal Company after the Transfer 2.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company is incorporated in the PRC and is principally engaged in investment holding in the PRC and has no significant business operations.

The Subsidiary A, the Subsidiary A1, the Subsidiary A2 and the Subsidiary A3 are engaged in commodity trading business in the PRC. Investment A is principally engaged in guarantee business in the PRC, which is owned as to 90% by Differ China and 10% by Subsidiary A.

The Subsidiary B is principally engaged in tourism project development and investment in the PRC. The principal asset of Subsidiary B is the land use rights for the Land 1, which is a commercial/cultural development called Chu Zhou Fu Cheng (處州府城). The properties are leased or intended to be leased out as commercial properties for a short to medium-term (i.e. approximately 2 to 15 years) or a long term (i.e. more than 20 years) and comprise a total leaseable gross floor area of approximately 36,863 sq.m as at 31 October 2020.

The Subsidiary C is principally engaged in property development and management in the PRC. The principal asset of the Subsidiary C is the land use rights for the Land 2, which is a commercial development called She People Ancient City* (畚鄉古城), formerly known as Phoenix Ancient Town* (鳳凰古鎮), which is currently on sale and comprises a total saleable gross floor area of approximately 159,787 sq.m as at 31 October 2020.

The Subsidiary D is principally engaged in property management service in the PRC.

LETTER FROM THE BOARD

Set out below are the consolidated financial information of the Disposal Company, for the two financial years ended 31 December 2018 and 2019 and ten months ended 31 October 2020 (for illustration purpose only):

	Year ended 31 December 2018 (Audited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000	Ten months ended 31 October 2020 (Unaudited) RMB'000
Revenue	–	275,641	98,169
Profit/(Loss) before tax	49,204	152,009	(10,966)
Profit/(Loss) after tax	36,695	128,427	(10,903)

Note: The financial information of Subsidiary B and Subsidiary C have been consolidated into the financial information of the Disposal Company.

The unaudited consolidated net asset value and total asset value of the Disposal Company and its subsidiaries as at 31 October 2020 amounted to approximately RMB436,412,000 and RMB1,964,721,000 respectively.

Set out below are the consolidated financial information of the Subsidiary A for the two financial years ended 31 December 2018 and 2019 and ten months ended 31 October 2020 (for illustration purpose only):

	Year ended 31 December 2018 (Audited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000	Ten months ended 31 October 2020 (Unaudited) RMB'000
Revenue	2,783	1,312,923	3,274,211
Profit before tax	214	553	1,460
Profit after tax	160	419	1,134

Note: The financial information of Subsidiary A1, Subsidiary A2 and Subsidiary A3 have been consolidated into the financial information of the Subsidiary A in accordance with the respective dates of their acquisition or incorporation.

The unaudited consolidated net asset value and total asset value of the Subsidiary A and its subsidiaries as at 31 October 2020 amounted to approximately RMB33,907,000 and RMB81,138,000 respectively.

LETTER FROM THE BOARD

Set out below are the financial information of the Subsidiary D for the two financial years ended 31 December 2018 and 2019 and ten months ended 31 October 2020 (for illustration purpose only):

	Year ended 31 December 2018 (Audited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000	Ten months ended 31 October 2020 (Unaudited) RMB'000
Revenue	–	578	6,192
Profit/(Loss) before tax	(2,478)	(3,060)	1,052
Profit/(Loss) after tax	(2,478)	(3,060)	635

The unaudited net liabilities and total asset value of the Subsidiary D as at 31 October 2020 amounted to approximately RMB4,903,000 and RMB3,189,000 respectively.

VALUATION

Vincorn Consulting and Appraisal Limited, the Independent Valuer, is a firm of professional surveyors and valuation consultants in Hong Kong and has been engaged by the Company to conduct a valuation on the property interests to be disposed of by the Group. Qualification of the Independent Valuer is set out on page 37 to this circular. As disclosed in the section headed “Experts and Consents” of Appendix III to this circular, at the Latest Practicable Date, the Independent Valuer has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group. Based on the above, the Board believes that the Independent Valuer possessed the competency and independence to provide its professional service to carry out the valuation of the property interests to be disposed of by the Group.

In its valuation, the Independent Valuer adopted the market approach, which is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on. The Independent Valuer attributed no commercial value to the property interests to be disposed of by the Group as the relevant properties on Land 1 and Land 2 are yet to be granted with proper title certificates of building ownership rights as at the date of the valuation. The reference values of the properties, assuming that they have been granted with proper title certificates of building ownership rights and they can be freely transferred, have been assessed by market approach. For further details of the valuation, please refer to Appendix II to this circular.

LETTER FROM THE BOARD

CONSIDERATION

The Total Consideration for the sale and purchase of the Sale Shares consists of the Cash Consideration and the Dividend Entitlement.

The Cash Consideration for the sale and purchase of the Sale Shares is RMB51,000,000 (equivalent to approximately HK\$59,302,000) to be paid by the Purchaser to a bank account designated by the Vendor within 30 days of execution of the Agreement.

In consideration of the transfer of the Sale Shares by the Vendor to the Purchaser, the Purchaser has further agreed that all respective dividend, up to the amount of RMB387,600,000 (equivalent to approximately HK\$450,698,000) (the “**Dividend Entitlement**”) to be received for the Sale Shares by the Purchaser for the period commencing from the date of the Agreement up to and including 31 December 2023 will be distributed to the Vendor. Any amount in excess of the Dividend Entitlement will then be distributed to the Purchaser and Vendor according to their respective shareholding in the Disposal Company.

As at 31 December 2023, in the event that the total amount of dividends received by the Vendor from the Sale Shares is less than the Dividend Entitlement, the Purchaser shall pay the difference to the Vendor within 120 days by way of cash, although there is no concrete timetable on the payment of Dividend Entitlement, which is also subject to a number of factors under the dividend policy as stated below. With the introduction of the Purchaser as a shareholder of the Disposal Group, the Company believes the properties on the Land 1 and Land 2 will be promoted and sold/leased at a faster rate. Hence the Company expects the Vendor will consistently receive parts of the Dividend Entitlement throughout 2021 and 2022, with the final deadline being 31 December 2023, which would then be used in the ordinary and usual course of the Group’s business and general working capital. In any event, the Company understands the Purchaser is currently holding about 20 subsidiaries which are holding assets with value, although the exact assets value under the Purchaser’s subsidiaries is not available to the public, and they are not securities for payment of the Dividend Entitlement, the Company believes that it will be evidence showing that the Purchaser has the financial resources to meet its obligation for the payment of the difference of the Dividend Entitlement to the Vendor. Further, the Purchaser has provided the Group with a credit report issued in 2019 by a renowned credit rating company in the PRC, which shows that the holding company of the Purchaser has strong financial position with net assets of approximately RMB10 billion and a credit rating of AA+, being the second highest rating, implying that it has a strong repayment ability and low risk of contractual breach. In any event, in case the Vendor has not received the difference (if any) from the Purchaser as agreed, the Vendor believes it can take legal action against the Purchaser. Of course, if the Company takes legal action at that material time, there might be risk that the process will become lengthy and costly. The Company believes at that material time the Vendor can claim the cost from the Purchaser. Moreover, the Vendor believes that under the current law of the PRC, the Vendor can obtain a freezing order against the Sale Shares at the commencement of the legal action against the Purchaser. As stated above, the Purchaser is a well-established state-owned enterprise in the PRC who holds a substantial number of subsidiaries, therefore the Company anticipates that the possibility of the Purchaser to breach the terms of the Agreement will be comparatively low.

LETTER FROM THE BOARD

The dividend policy of the Disposal Group is determined by the following factors:

- (i) The actual and expected financial performance of the Disposal Group:
 - if the actual financial results of the Disposal Group is well below expectations, the Disposal Group may not have sufficient profits to distribute dividends;
- (ii) the operation and liquidity of the Disposal Group;
- (iii) the working capital, capital expenditure requirement and future plans of the Disposal Group;
and
- (iv) the financial commitments of the Disposal Group:
 - these factors relate to the Disposal Group's cashflow and whether it has sufficient cash to distribute dividends after settling the relevant commitments and debts;
- (v) the retained profits and reserves of the Disposal Group:
 - PRC companies are required to make appropriations to the statutory reserve which is equivalent to 10% of the profit less accumulated losses. No further appropriations to the statutory reserve are required once such appropriation reaches an amount equal to 50% of the registered capital;
- (vi) the overall economic and market conditions and industry policies:
 - demand in the property market is greatly affected by overall economic and market conditions. Meanwhile, if there is the introduction of new industry policies for the appropriation of profits to other reserves, this could potentially directly affect the distributable amount of dividends; and
- (vii) any other factors deemed appropriate by the relevant board of directors.

The Total Consideration was determined by the Purchaser and the Vendor after arm's length negotiation with reference to the proportionate interest of 51% of the unaudited adjusted consolidated net asset value of Disposal Group (the "**Adjusted NAV**") as at 31 October 2020. The Adjusted NAV in the amount of RMB860,094,000 represents an aggregate value of:

- (a) the unaudited consolidated net asset of the Disposal Group as at 31 October 2020 (assuming after the completion of Transfers) in the amount of approximately RMB435,416,000; plus
- (b) the amount of the valuation of the reference value, by using the market approach, of the Land 1 and Land 2 as at 31 October 2020 as determined by an independent valuer in the sum of RMB2,422,000,000; less

LETTER FROM THE BOARD

- (c) the relevant book value of the Land 1 and Land 2 as at 31 October 2020 in the sum of approximately RMB1,855,763,000 and the relevant deferred tax liabilities of approximately RMB141,559,000.

The Land 1 was acquired by the Group through its acquisition of (i) 70% equity interest of Subsidiary B in 2017, together with 9 other companies, at the total consideration of RMB375,000,000 (for details, please refer to the circular of the Company dated 23 December 2017); and (ii) 30% equity interest of Subsidiary B in 2018, together with another company, at the total consideration of RMB190,000,000 (for details, please refer to the announcement of the Company dated 18 September 2018). The Land 2 was acquired by the Group through its acquisition of the Subsidiary C in 2018, together with 4 other companies, at the total consideration of RMB499,972,000 (for details, please refer to the Company's circular dated 31 December 2018).

Although the Land 2, which is a cultural tourism related property, is currently on sale, the Company believes it might not be able to sell most of the properties in a short period. This is because the sale of cultural tourism related property is much more distinct from the sale of residential property in the sense that the potential customer is usually an individual or entity with a view to conduct cultural tourism business at the respective place who need a business plan and sufficient capital and might even a conglomerate view for development. In light of the fact that it will take about two to three more years for the Company to sell/lease all the properties of the Disposal Group, the settlement terms (including the Dividend Entitlement) will ensure the Company's return on its investment in those two real estate projects and even reduce the risk of any fluctuation of property prices since the Total Consideration is determined with reference to the fair value of the current properties which in turn represent the market selling price. The Directors consider that is for the benefit of the Company and its shareholders as whole to dispose 51% shares of the properties at current market price. In such case, the Vendor will reap and lock the profit at the current market selling price and the interest of the Vendor will not be prejudiced by any decrement of property price in future. On the other hand, if there is any increment of the property price in future, the Company can still enjoy the increment as a minority shareholder. Thus reducing the risk of fluctuation of property prices for the Group. The future operating cost of the Disposal Company will also be shared with the Purchaser. Furthermore, the Company can immediately change the registered capital of the Sales Shares of RMB51,000,000 into immediate liquid cash.

Accordingly, the Board considers that the Total Consideration and the terms and conditions of the Agreement are to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

DISPOSAL CONDITIONS

Completion is subject to the fulfilment of the following conditions (the “**Disposal Conditions**”) on or before 31 December 2020 (the “**Conditions Fulfilment Date**”):

- (1) the written shareholders’ approval having been obtained from a shareholder or closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Agreement and the transactions contemplated thereunder; and
- (2) the circular for the Disposal has been issued and dispatched by the Company in accordance with the Listing Rules.

The Disposal Conditions may not be waived by the Parties. If the Disposal Conditions are not fulfilled on or before 31 December 2020, the Agreement will be lapsed and neither Parties will have any obligations or liabilities toward each other arising from the Agreement. As at the Latest Practicable Date, Disposal Condition (1) has been fulfilled as the Company has obtained the respective written shareholders’ approvals. As at the date of despatch and issue of this circular, all the Disposal Conditions will have been fulfilled.

COMPLETION

The date of the transfer of the Sale Shares from the Vendor to the Purchaser will be the date of completion of the sale and purchase of the Sale Shares.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon the Completion, the Group’s equity interest in the Disposal Company will decrease from 100% to 49%. The Disposal Company, Subsidiary B and Subsidiary C will then all cease to be indirect wholly-owned subsidiaries of the Company and will instead become associates of the Company. As a result, the financial results of the Disposal Company, Subsidiary B and Subsidiary C will cease to be consolidated with the Group’s financial statements and the Group will share the financial results of associates.

Subject to the Completion and after the Transfers, the Subsidiary A, Subsidiary A1, Subsidiary A2, Subsidiary A3 and Subsidiary D will all cease to be indirect wholly-owned subsidiaries of the Company and will instead become associates of the Company. As a result, the financial results of the Subsidiary A, Subsidiary A1, Subsidiary A2, Subsidiary A3 and Subsidiary D will also cease to be consolidated with the Group’s financial statements and the Group will share the financial results of associates.

After the Disposal, trading of commodities will continue to be one of the principal activities of the Group, but the relevant products will differ to those traded by the Disposal Group. Specifically, the Company focus mainly on trading of various commodities (e.g. aluminium ingot), whereas the Disposal Group will mainly focus on the trading of construction materials.

LETTER FROM THE BOARD

Based on the preliminary assessment (i) on the financial information of the Disposal Group as at 31 October 2020 and (ii) the Consideration, it is estimated that the Company will record an unaudited gain on the Disposal of approximately RMB240,284,000 (equivalent to approximately HK\$279,400,000) before tax, relevant interests to be received from Debts, relevant guarantee fee income to be received from Guarantee and other transaction costs as a result of the Disposal (the “**Disposal Gain**”). The Disposal Gain represents an aggregate amount of:

- (a) the gain on disposal of Sale Shares of approximately RMB132,938,000. It represents the fair value of Total Consideration as at 31 October 2020 as determined by an independent valuer of approximately RMB355,000,000 less 51% of consolidated net asset value (assuming after the completion of Transfers) of the Disposal Group as at 31 October 2020 of approximately RMB222,062,000; plus
- (b) the gain of approximately RMB107,346,000 on recognition of initial carrying amount of associates following loss of control of the Disposal Group as at 31 October 2020. It represents the fair value of 49% equity interests of the Disposal Group as at 31 October 2020 as determined by an independent valuer of approximately RMB320,700,000 less 49% of consolidated net asset value (assuming after the completion of Transfers) of the Disposal Group as at 31 October 2020 of approximately RMB213,354,000.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to a final audit to be performed by the auditors of the Company.

The Board intends to apply the net proceeds from the Disposal of approximately RMB437,972,000 for (i) lending to the Group’s customers and acquisition of valuable assets in the ordinary and usual course of the Group’s business, and (ii) general working capital of the Group.

Following the Completion, the earnings of the Group are expected to increase by approximately RMB240,284,000 (equivalent to approximately HK\$279,400,000), while the total assets of the Group are expected to decrease by approximately RMB746,755,000 (equivalent to approximately HK\$868,320,000) and the total liabilities of the Group are expected to decrease by approximately RMB987,039,000 (equivalent to approximately HK\$1,147,720,000).

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of the Disposal Group on the date of the Completion and the review by the Company’s auditors.

REASONS FOR THE DISPOSAL

The Disposal Group is principally engaged in, amongst others, (i) property development; and (ii) commodity trading business. The Group will retain 49% of the entire equity interest of the Disposal Group. The Directors consider that it is a good opportunity for the Group to dispose the Sale Shares so as to realise a profit from the Disposal and release funds which will be used for the purposes as mentioned above in the section headed “Possible Financial Effect of the Disposal and Use of Proceeds”.

LETTER FROM THE BOARD

The Group engages in commodity trading business and provides various commodities (e.g. aluminum ingot) to the customers under the following business model. The Group proactively seeks various suppliers for the availability of different kinds of commodities and the relevant quantities and unit price which can be offered to the Group. For lucrative offers from suppliers, the Group will contact different potential customers and negotiate the selling terms with them. The Group will enter into the sales and purchase agreement with the customers and there is no credit period granted to them. The Group will arrange handover of the relevant commodities to its customers when the sales invoices have been settled. Revenue from the commodity trading business is recognised when the control of goods is transferred to the customers and the relevant cost of sales (i.e. purchase costs from the suppliers) is recognised simultaneously.

After the Disposal, the Disposal Group will focus on the trading of construction materials (e.g. steel, cement, aluminium and glass), whereas the Group will continue to trade various commodities (e.g. aluminium ingot, zinc ingot and electrolytic copper). By integrating the business and network resources of the Group and the Purchaser in the property development business, they aim to jointly build a supply chain trading platform in the construction field through Subsidiary A, Subsidiary A1, Subsidiary A2 and Subsidiary A3, which provides comprehensive supply chain trading services for building material suppliers, contractors and developers in the construction field. Accordingly, the market position of the Group and the Disposal Group after Completion will be different and the Group believes the two will not be in direct competition. With the Disposal, the Group can devote its resources to develop its other existing commodity trading businesses so as to achieve better return.

Subsequent to the Disposal, the Company will continue to operate its property development business in the theme of cultural tourism as an extension of the Group's original assets management business. The Group mainly focuses on residential and commercial projects in PRC's second and third tier cities. By adopting a flexible investment approach, the Group will actively seek opportunities to acquire quality lands and properties through different ways, including but not limited to acquisition of companies, assets restructuring, tenders, auctions and bids to increase the portfolio of land and properties in the PRC. In particular, after Completion, the Company still retains 49% interest in Land 1 and Land 2 through its indirect holding of shares in the Disposal Company. Apart from holding the said interest in those two property developments, the Company still holds six other substantial property developments which are currently for sale or under construction and all of which are expected to be completed in the next few years.

Although the Group's interest in the Disposal Group will be reduced and the Disposal Group will cease to be subsidiaries of the Group, the Company still retains 49% equity interest in the Disposal Company, hence the Disposal Group will be classified as associates of the Company. The introduction of the Purchaser as a shareholder of the Disposal Company will provide synergy effect to the Company and its Shareholders as a whole. As the Purchaser is a PRC state-owned enterprise, the Company believes that the Purchaser will have valuable connections and resources in the PRC which means that it will be comparatively easier for the Disposal Group to promote and speed up the leases and sales of properties on Land 1 and Land 2 in the theme of cultural tourism. The Company believes the potential customer will be more eager and willing to purchase the property if the property is developed by a PRC state-owned enterprise due to brand consideration. This in turn will speed up the sale and cashflow realization. As advised by the Purchaser, the Purchaser is positioned as a comprehensive operation service provider for high-quality new urbanization in PRC. The Company understands from the Purchaser that it owns about

LETTER FROM THE BOARD

20 subsidiaries. The Purchaser can mobilize a wide range of projects and social resources to enhance the investment opportunities in Chu Zhou Fu Cheng (處州府城) and She People Ancient City* (畚鄉古城). Furthermore, the Disposal Group will be able to obtain external financing with better terms for future operations and development, which will improve its cash flow and financial position and speed up its repayment of certain borrowings to the Group. The Company understands that PRC banks will usually consider the backgrounds and financial positions of companies before provision of financing and they would usually consider PRC state-owned enterprise to be less risky and a comparatively more ideal potential borrower than other non-state-owned companies. Accordingly, the PRC banks will usually offer better terms e.g. lower interest rate and less collateral required to be provided for provision of financing. With lower financing cost, the cash flow and financial position of the Disposal Group will be improved. Once external financing with lower financing cost is obtained by the Disposal Group, it will speed up its repayment of debts to the Group since it is expected that bank borrowings will carry a lower interest rate than that of the Group (which is at 10% interest per annum). Further, as disclosed above, Subsidiary A, Subsidiary A1, Subsidiary A2 and Subsidiary A3 are principally engaged in the commodities trading business which is one of the core businesses of the Group. With the introduction of the Purchaser as a shareholder of the Disposal Company, the Disposal Group will further expand such business to the interest of the Disposal Group. This will in turn benefit the Company and its Shareholders as a whole.

As such, the Company believes that the scale and income of such business will be able to increase as the Company expects the Disposal Group to be able to secure more financing due to the Purchaser's strong connections and established background in the PRC. Trading of construction materials is usually to be considered as a business with comparatively low gross profit rate. The gist for carrying out such business is to reap profit from the volume of trade. The Purchaser has carried on the business of trading of construction materials. With the Purchaser's experience in such trading, the Company believes the business of trading of construction materials will grow and the transaction volume will be increased. It is expected that the profit to be generated under the commodity trading business carried out by the Disposal Group will be improved. Further, as mentioned above, the Company can benefit from the Purchaser's connections and establishment in the PRC as a state-owned enterprise, which will assist in the promotion and sales of the Disposal Group's properties in the PRC. Although the Disposal Group will become an associate of the Group, the Group can still share the benefit and result of it as a minority shareholder of the Disposal Group. Furthermore, following the cooperation with a PRC state-owned enterprise, the Group's reputation will be strengthened and investment opportunities in the PRC may be increased. Lastly, the Disposal will reduce the risks faced by the Company in its investments and lower the Company's gearing ratio, which will be beneficial for obtaining future financing.

As the Disposal is being conducted after arm's length negotiations based on normal commercial terms, and the Group is expected to make a gain on the Disposal, the Directors are of the view that the Disposal is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under the Listing Rules exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal. In accordance with Rule 14.44 of the Listing Rules, the Company has obtained written shareholders' approval from (i) Expert Corporate Limited, which holds 3,001,200,000 Shares (representing approximately 41.63% of issued Shares of the Company); (ii) Ever Ultimate Limited, which holds 822,000,000 Shares (representing approximately 11.40% of issued Shares of the Company) and (iii) Mr. Ng Chi Chung, who holds 305,898,000 Shares (representing approximately 4.24% of issued Shares of the Company). Together, Expert Corporate Limited, Ever Ultimate Limited and Mr. Ng Chi Chung hold 4,129,098,000 Shares in the Company (representing approximately 57.28% of the voting rights at the general meeting of the Company) to approve the Disposal, in lieu of holding a general meeting and they collectively constitute "a closely allied group of Shareholders" of the Company under Rule 14.45 of the Listing Rules for the following reasons:

1. Expert Corporate Limited has been a shareholder of the Company since 2013 and is wholly and beneficially owned by Mr. Hong Mingxian, who has been the chairman and executive director of the Company since the listing of its Shares on the Stock Exchange.
2. Ever Ultimate Limited has been a shareholder of the Company since 2013 and has been wholly and beneficially owned by Mr. Ng Chi Chung since 2017 (for details, please refer to the announcement of the Company dated 12 April 2017), who has been the chief executive officer and executive director of the Company since the listing of its Shares on the Stock Exchange.
3. Although Expert Corporate Limited and Ever Ultimate Limited are not parties acting in concert, for the purposes of the Hong Kong Code on Takeovers and Mergers, they have voted on the same side for all of the shareholders' resolutions of the Company in which they were both entitled to vote (i.e. not abstained from voting because he had a material interest in the relevant transaction).
4. Mr. Hong Mingxian and Mr. Ng Chi Chung have known each other before the incorporation of the Company and have both been Shareholders of the Company for a considerable period of time (7 years and 4 years respectively) and thus are a closely allied group of Shareholders.

SUBSEQUENT FINANCIAL ARRANGEMENT

After the Completion, the Disposal Company will owe a loan (the "**Debt**") up to RMB750,000,000 (equivalent to approximately HK\$872,093,000) to the Vendor and Differ China as a substantial portion of the properties on the Land 1 and Land 2 are yet to be sold/leased, therefore the Disposal Company does not have sufficient cash flow at the time of Completion to pay off the Debt to the Vendor and Differ China. Pursuant to the Agreement, the Vendor and Differ China have agreed to waive the interest for the Debt for the first year after the date of Completion as the Disposal Group will become associates of the Company. Subsequently, the interest rate of the Debt thereafter will be at 10% per annum until the Debt is fully settled by the Disposal Group. Currently, there is no fixed repayment date for the Debt. As disclosed in the Announcement, the Debt constitutes a (i) discloseable transaction for the Company under Chapter 14 of the Listing Rules and (ii) an advance to an entity. Taking into account the principal business activities of the Group, the provision of Debt is in the ordinary and usual course of business of

LETTER FROM THE BOARD

the Group. The terms of the Debt as contained in the Agreement were negotiated on an arm's length basis between the Parties. The Directors are of the view that the Debt was entered into on normal commercial terms. Taking into account the income that is expected to be generated from the Interest as a result of providing the Debt, the Directors consider that the terms of the Debt are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Since the Disposal Group will cease to be subsidiaries of the Group upon Completion, the Debt will then constitute as financial assistance under Chapter 14 of the Listing Rules as disclosed in the Announcement.

After the Completion, the Vendor and Differ China will continue to provide guarantee (the "**Guarantee**") to the Disposal Group in respect of various outstanding bank loans amounting up to RMB542 million (equivalent to approximately HK\$630,233,000) (the "**Loan**"). Vendor and Differ China will guarantee (i) separately as to RMB355 million and RMB47 million respectively; and (ii) jointly as to RMB140 million. As disclosed in the Announcement, the Loan will not be settled upon the Completion so the Guarantee will constitute as financial assistance by way of provision of guarantee from the Vendor and Differ China to the Disposal Group which is a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Loan will be repayable in installments to the respective banks on or before 21 January 2026. The Vendor, Differ China and the Purchaser have further agreed that the amount of the Guarantee will be capped at RMB542 million (equivalent to approximately HK\$630,233,000). Pursuant to the Agreement, in exchange for the continuous provision of the Guarantee by the Vendor and Differ China, the Disposal Group will pay the guarantee service fee (the "**Guarantee Fee**") to the Vendor and Differ China of 3.1% per annum of the outstanding bank balance of the Guarantee until the Loan is fully settled by the Disposal Group.

The respective banks, who are providing the Loan to the Disposal Group, are local branches of several PRC commercial banks principally engaged in the provision of a range of banking services and related financial services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the respective banks and their ultimate beneficial owners are Independent Third Parties.

RECOMMENDATION

For the reasons set out above, the Directors consider that the terms of the Disposal are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene a extraordinary general meeting to approve the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board of
Differ Group Holding Company Limited
HONG Mingxian
Chairman and Executive Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the years ended 31 December 2017, 31 December 2018, 31 December 2019, and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.dfh.cn>. Please refer to the hyperlinks as stated below:

2017 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn20180420009.pdf>

2018 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423500.pdf>

2019 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700371.pdf>

2020 interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0828/2020082800806.pdf>

2. STATEMENT OF INDEBTEDNESS

Bank and other borrowings

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding secured bank borrowings amounted to approximately RMB601,765,000 and other secured borrowings amounted to approximately RMB708,573,000, which bearing an interest rate ranging from 4.8% to 15.0%.

Corporate bonds

As at the close of business on 31 October 2020, the Group had corporate bonds with an aggregate principal amount of approximately RMB275,200,000, which bearing an interest rate ranging from 5.0% to 7.5% per annum. Among the balances, corporate bonds of approximately RMB109,736,000 are guaranteed by Mr. Hong Mingxian, the substantial shareholder of the Company and corporate bonds of approximately RMB860,000 are guaranteed by Ms. Shi Hongjiao, the spouse of Mr. Hong Mingxian.

Lease liabilities

As at the close of business on 31 October 2020, the Group had lease liabilities of approximately RMB106,597,000.

Contingent liabilities and guarantees

As at the close of business on 31 October 2020, the Group provided the following financial guarantees:

- (a) RMB321,470,000 to banks for bank facilities granted to the Group's customers from financial guarantee business, which were secured by collaterals of the customers and/or personal/corporate guarantees; and
- (b) RMB1,564,368,000 to banks in respect of mortgage loans granted to purchasers of certain property units from the Group's property development business.

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

3. SUFFICIENCY OF WORKING CAPITAL

The Directors were of the opinion that, as at the Latest Practicable Date, after taking into consideration of the financial resources presently available, which is the Group's internal resources, cash flow generated from operating activities, bank balances of the Group, the existing facilities available to the Group and the Completion has been taken place, the Group will have sufficient working capital for its present requirements and for at least 12 months commencing from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the (i) assets management business (including a.) property development and investment and b.) distressed assets, equities investment and fund management), (ii) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and security brokerage services) and (iii) commodity trading business.

The Group considers the asset management business as a key driver of business growth. For property development and investment, the Group mainly focuses on residential and commercial projects in PRC's second and third tier cities and the Group expects that the housing demand in these cities will remain robust while the overall real estate sale volume will mildly increase in future. The Group will endeavour to further promote the sales of properties on its existing property development projects in the PRC. By adopting a flexible investment approach, the Group will actively seek opportunities to acquire quality lands and properties through different ways, include but not limited to acquisition of companies, assets restructuring, tenders, auctions and bids to increase the portfolio of land and properties in the PRC. For distressed assets, the Group has acquired a number of valuable assets and the Directors believe that they will generate remarkable returns in next few years.

In addition to its assets management business, the Group will continue to seek for new business opportunities in the provision of financial related services to broaden its income stream and to ensure steady development.

Following the completion of the Disposal, the Group will continue to engage in the commodities trading business and will focus mainly on the trading of various commodities (e.g aluminium ingot), whilst the Disposal Group will mainly focus on the trading of construction materials.

5. NO MATERIAL CHANGE

The Directors confirm that since 31 December 2019, being the date to which the latest published audited consolidated financial information of the Group were made up) and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong



The Board of Directors
Differ Group Holding Company Limited
16/F, Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

11 December 2020

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Values of the property interests located in The People's Republic of China ("**The PRC**") to be disposed of by Differ Group Holding Company Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 October 2020 (the "**Valuation Date**").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

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

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

We have attributed no commercial value to the property interests to be disposed of by the Group as the properties are yet to be granted with proper title certificates of building ownership rights as at the Valuation Date. The reference values of the properties, assuming that they have been granted with proper title certificates of building ownership rights and they can be freely transferred, have been assessed by Market Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, Beijing Tian Yuan Law Firm, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

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

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited

Vincent Cheung
BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA
MHKSI MISCM MHIREA
Registered Real Estate Appraiser & Agent PRC
Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION SUMMARY

Property Interests for Investment and Sale to be Disposed of by the Group in The PRC

No.	Property	Market Value as at 31 October 2020	Interest Attributable to the Group Before Disposal	Market Value as at 31 October 2020 Attributable to the Group Before Disposal
1	167 Commercial Units in Block Nos. 1 to 17, 30 Commercial Units in Block Nos. 18 to 31, and Basement Areas of Chu Zhou Fu Cheng Located at the Junction of Dayou Street and Dayang Road, Liandu District, Lishui, Zhejiang Province, The PRC	No Commercial Value	100%	No Commercial Value
2	794 Retail Units, 584 Basement Carparking Spaces, and Storerooms of She People Ancient City, Located at the Junction of Renmin North Road and Waishe Road, Waishe Zone, Jingning She Autonomous County, Lishui, Zhejiang Province, The PRC	No Commercial Value	100%	No Commercial Value
Total:		No Commercial Value		No Commercial Value

VALUATION CERTIFICATE

Property Interests for Investment and Sale to be Disposed of by the Group in The PRC

Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 October 2020										
1) 167 Commercial Units in Block Nos. 1 to 17, 30 Commercial Units in Block Nos. 18 to 31, and Basement Areas of Chu Zhou Fu Cheng, Chu Zhou Fu Cheng Located at the Junction of Dayou Street and Dayang Road, Liandu District, Lishui, Zhejiang Province, The PRC	<p>The property comprises commercial units and basement areas, which are currently vacant or leased with short-term tenancies, situated in Block Nos. 1 to 17 and 18 to 31 of a mixed-use development, namely Chu Zhou Fu Cheng.</p> <p>As per information provided by the Group, the site area and total gross floor area (“GFA”) of the whole development are approximately 74,721.28 square metres (“sq.m.”) and 96,096.14 sq.m. respectively. The property was completed in about 2019.</p> <p>As per information provided by the Group, the property has a total GFA of approximately 36,862.77 square metres (“sq.m.”). The area breakdown of the property is listed below:</p>	<p>As per our on-site inspection and the information provided by the Group, a portion of the property with a total GFA of approximately 13,823.73 sq.m. is currently subject to different tenancies with the latest expiry on 30 June 2033 at a total monthly rental income of approximately RMB685,000 exclusive of service charges and other outgoings, whilst the remaining portion of the property is currently vacant.</p>	<p>No Commercial Value</p> <p>100% Interest to be Attributable to the Group Before Disposal:</p> <p>No Commercial Value</p>										
	<table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>167 Commercial Units in Block Nos. 1 to 17</td> <td>13,718.21</td> </tr> <tr> <td>30 Commercial Units in Block Nos. 18 to 31</td> <td>7,136.28</td> </tr> <tr> <td>Basement Areas</td> <td>16,008.28</td> </tr> <tr> <td>Total:</td> <td>36,862.77</td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	167 Commercial Units in Block Nos. 1 to 17	13,718.21	30 Commercial Units in Block Nos. 18 to 31	7,136.28	Basement Areas	16,008.28	Total:	36,862.77		
Portion	GFA (sq.m.)												
167 Commercial Units in Block Nos. 1 to 17	13,718.21												
30 Commercial Units in Block Nos. 18 to 31	7,136.28												
Basement Areas	16,008.28												
Total:	36,862.77												
	<p>The land use rights of the master site were granted for terms expiring on 29 October 2065 and 29 October 2055 for public management and public service uses and commercial uses respectively.</p>												

Notes:

- The property was inspected by Noah Liu *Probationer of RICS* on 11 October 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to two State-owned Land Use Rights Grant Contracts, entered into between Lishui State-owned Land Resources Bureau and Lishui Fu Feng Cultural Tours Company Limited, the land use rights of the master site with a total site area of 74,721.00 sq.m. were granted to Lishui Fu Feng Cultural Tours Company Limited, for terms of 50 years for public management and public service uses and 40 years for commercial uses at a total consideration of RMB96,000,000.

The details of the State-owned Land Use Rights Grant Contracts are summarized below:

Lot No.	Date of Instrument	Site Area (sqm)	Consideration (RMB)
3311012014A21011	29 June 2015	39,960.00	51,340,000
3311012014A21012	29 June 2015	34,761.00	44,660,000
Total		74,721.00	96,000,000

- Pursuant to two Real Estate Title Certificates, issued by Lishui State-owned Land Resources Bureau, the land use rights of the master site with a total site area of 74,721.28 sqm were granted to Lishui Fu Feng Cultural Tours Company Limited for various terms.

The details of the Real Estate Title Certificates are summarized below:

Certificate No.	Date of Instrument	Site Area (sqm)	Land Use Rights Expiry Date	Use
Zhe (2016) Li Shui Shi Bu Dong Can Quan Di No. 0014709	20 December 2016	39,960.23	Public Management and Public Service: 29 October 2065 Commercial: 29 October 2055	Public Management and Public Service, Commercial
Zhe (2016) Li Shui Shi Bu Dong Can Quan Di No. 0014716	21 December 2016	34,761.05	Public Management and Public Service: 29 October 2065 Commercial: 29 October 2055	Public Management and Public Service, Commercial
Total		74,721.28		

- Pursuant to a Construction Land Use Planning Permit, Li Gui Di Zi Di No. (2016)10053 dated 26 October 2016 and issued by Lishui Planning Bureau, the proposed land use of the master site was approved.
- Pursuant to a Construction Project Planning Permit, Li Gui Jian Zi Di No. (2017)10016 dated 24 May 2017 and issued by Lishui Planning Bureau, the proposed development of the master site was approved.
- Pursuant to a Construction Project Work Commencement Permit, 331102201707250101 dated 25 July 2017 and issued by Lishui Housing and City and Rural Construction Bureau, the construction of the proposed development of the master site was approved to commence.

8. Pursuant to a Construction Project Work Completion Certificate, dated 1 July 2019 and issued by Lishui Examination of Construction Drawing Design Centre, the completion of construction of the development was certified.
9. Pursuant to a Mortgage Agreement, No. 33100620190046207 dated 18 September 2019 and entered into between Agricultural Bank of China Limited Lishui Branch and Lishui Fu Feng Cultural Tours Company Limited, the property was subject to a mortgage.
10. The general description and market information of the property are summarized below:
- | | | |
|----------------------------|---|--|
| Location | : | The property is located at the Junction of Dayou Street and Dayang Road, Liandu District, Lishui, Zhejiang Province, The PRC. |
| Transportation | : | Wenzhou Longwan International Airport and Lishui Railway Station are located approximately 142.5 kilometres and 4.3 kilometres away from the Property respectively. |
| Nature of Surrounding Area | : | The area is predominately a residential area in Liandu District intermingled with some commercial buildings and it is surrounded by a number of tourist attractions such as Ying Xing Lou (應星樓), Chu Zhou Fu Wall (處州城府牆), Nanming Gate (南名門) and Binjiang Park. |
11. We have been provided with a legal opinion regarding the property by Beijing Tian Yuan Law Firm, which contains, inter alia, the following:
- (a) Lishui Fu Feng Cultural Tours Company Limited has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property; and
- (b) The state-owned land use rights of the property are not subject to any dispute or seizure.
12. As advised by the Group, the property is yet to be granted with a proper title certificate of building ownership rights. In the course of our valuation, we have attributed no commercial value to the property. The reference value of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date was circa RMB617,000,000.
13. Pursuant to a Conditional Sale and Purchase Agreement, dated 21 November 2017 and entered into between Shi Hongjiao as the vendor and Differ Asset Development Limited, a wholly-owned subsidiary of the Company, as the purchaser, the entire issued share capital of Differ Cultural Tourism Development Company Limited, which held various assets including 70% equity interest of Lishui Fu Feng Cultural Tours Company Limited holding the subject development, were acquired by Differ Asset Development Limited at a consideration of RMB375,000,000.
- Pursuant to a Sale and Purchase Agreement, dated 18 September 2018 and entered into between Hong Qiaosi as the creditor, Wu Yukai and Wu Jianfei collectively as the vendors and Cultural Tours Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, 30% equity interest of Lishui Fu Feng Cultural Tours Company Limited holding the subject development and 30% equity interest of another project company were acquired by Cultural Tours Limited at a consideration of RMB190,000,000.

Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 October 2020								
2) 794 Retail Units, 584 Basement Carparking Spaces, and Storerooms of She People Ancient City, Located at the Junction of Renmin North Road and Waishe Road, Waishe Zone, Jingning She Autonomous County, Lishui, Zhejiang Province, The PRC	<p>The property comprises unsold retail units and basement carparking spaces and storerooms of a commercial development, namely She People Ancient City.</p> <p>As per information provided by the Group, the site area and GFA of the whole development are approximately 173,933.62 sq.m. and 311,585.30 sq.m. respectively. The property was completed in about 2019.</p> <p>As per information provided by the Group, the property has a total GFA of approximately 197,859.00 sq.m.. The area breakdown of the property is listed below:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Usage</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>794 Retail Units</td> <td>159,787.23</td> </tr> <tr> <td>584 Basement Carparking Spaces and Storerooms</td> <td>38,071.77</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">197,859.00</td> </tr> </tbody> </table>	Usage	GFA (sq.m.)	794 Retail Units	159,787.23	584 Basement Carparking Spaces and Storerooms	38,071.77		197,859.00	<p>As per our on-site inspection and the information provided by the Group, the property is currently vacant and pending for sale.</p>	<p>No Commercial Value</p> <p>100% Interest to be Attributable to the Group Before Disposal:</p> <p>No Commercial Value</p>
Usage	GFA (sq.m.)										
794 Retail Units	159,787.23										
584 Basement Carparking Spaces and Storerooms	38,071.77										
	197,859.00										
	<p>The land use rights of the master site were granted for a term expiring on 19 December 2053 for commercial uses.</p>										

Notes:

- The property was inspected by Noah Liu *Probationer of RICS* on 11 October 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, 3311272013A21042 dated 20 December 2013 and entered into between Jingning She Autonomous County State-owned Land Resources Bureau and Jingning Outdoor Residence Tour Investment Development Co., Limited, the land use rights of the mother lot with a site area of 246,601.11 sq.m. were granted to Jingning Outdoor Residence Tour Investment Development Co., Limited for terms of 70 years for residential uses and 40 years for commercial uses at a consideration of RMB140,000,000.

4. Pursuant to two State-owned Land Use Rights Certificates, issued by People's Government of Jingning She Autonomous County, the land use rights of the master site with a total site area of 173,933.62 sq.m. were granted to Jingning Outdoor Residence Tour Investment Development Co., Limited for a term expiring on 19 December 2053 for commercial uses.

The details of the Real Estate Title Certificates are summarized below:

Certificate No.	Date of Instrument	Site Area (sqm)
Jing Guo Yong (2015) Di No. 02118	22 September 2015	133,090.41
Jing Guo Yong (2015) Di No. 02119	22 September 2015	40,843.21
Total		173,933.62

5. Pursuant to two Construction Land Use Planning Permits, issued by Jingning She Autonomous County Housing and City and Rural Construction Bureau, the proposed land use of the master site was approved.

The details of the Construction Land Use Planning Permits are summarized below:

Permit No.	Date of Instrument
Di Zhi Di No. 331127201500096	7 September 2015
Di Zhi Di No. 331127201500097	7 September 2015

6. Pursuant to two Construction Project Planning Permits, issued by Jingning She Autonomous County Housing and City and Rural Construction Bureau, the proposed development of the master site was approved.

The details of the Construction Project Planning Permits are summarized below:

Permit No.	Date of Instrument
Jian Zhi Di No. 331127201500036	18 September 2015
Jian Zhi Di No. 331127201500037	18 September 2015

7. Pursuant to five Construction Project Work Commencement Permits, issued by Jingning She Autonomous County Housing and City and Rural Construction Bureau, the construction of the proposed development of the master site was approved to commence.

The details of the Construction Project Work Commencement Permits are summarized below:

Permit No.	Date of Instrument
332529201406130101	13 June 2014
332529201407070101	7 July 2014
332529201407210101	21 July 2014
332529201407300101	30 July 2014
332529201408040101	4 August 2014

8. Pursuant to two Pre-sale Permits, issued by Jingning She Autonomous County Housing and City and Rural Construction Bureau, the pre-sale of a portion of the development was permitted.

The details of the Pre-sale Permits are summarized below:

Permit No.	Date of Instrument
Shou Xu Zi (2015) Zi No. 007	11 December 2015
Jing Shou Xu Zi (2019) Zi No. 01521	27 December 2019

9. Pursuant to five Construction Project Work Completion Certificates, issued by Jingning She Autonomous County Construction Bureau, the completion of construction of the development was certified.

The details of the Construction Project Work Completion Certificates are summarized below:

Permit No.	Date of Instrument
32350020191230101	30 December 2019
32350020191230102	30 December 2019
32350020191230103	30 December 2019
32350020191230104	30 December 2019
32350020191230105	30 December 2019

10. Pursuant to two Mortgage Agreements, a portion of the property were subject to mortgages.

The details of the Mortgage Agreements are summarized below:

Contract No.	Date of Instrument	Mortgagee	Mortgagor	Property
2210099912015111865DY02	31 August 2015	The Export-Import Bank of China	Jingning Outdoor Residence Tour Investment Development Co., Limited	The development on the land parcel held under Certificate No. Jing Guo Yong (2015) Di No. 02118
(ZJ) (Wei Zhai Di) Zi Di No. 16028	27 September 2016	Bank of China Limited Jingning County Branch	Jingning Outdoor Residence Tour Investment Development Co., Limited	The retail units with a total GFA of 44,850.50 sq.m.

As advised by the Group, the retail units with a total GFA of 28,973.36 sq.m. under Mortgage Agreement No. (ZJ) (Wei Zhai Di) Zi Di No. 16028 have been released from the mortgage.

11. The general description and market information of the property are summarized below:
- | | | |
|----------------------------|---|--|
| Location | : | The property is located at of the Junction of Renmin North Road and Waishe Road, Waishe Zone, Jingning She Autonomous County, Lishui, Zhejiang Province, The PRC. |
| Transportation | : | Wenzhou Longwan International Airport, Longquan Railway Station and Lishui Railway Station are located approximately 188.9 kilometres 70.9 kilometres and 75.1 kilometres away from the Property respectively. |
| Nature of Surrounding Area | : | The area is predominately a residential area in Waishe Zone, Jingning She Autonomous County intermingled with some commercial buildings. |
12. We have been provided with a legal opinion regarding the property by Beijing Tian Yuan Law Firm, which contains, inter alia, the following:
- Jingning Outdoor Residence Tour Investment Development Co., Limited has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property; and
 - The state-owned land use rights of the property are not subject to any dispute or seizure.
13. As advised by the Group, the property is yet to be granted with a proper title certificate of building ownership rights. In the course of our valuation, we have attributed no commercial value to the property. The reference value of the property, assuming that it has been granted with a proper title certificate of building ownership rights and it can be freely transferred, as at the Valuation Date was circa RMB1,805,000,000.
14. Pursuant to a Conditional Sale and Purchase Agreement, dated 7 November 2018 and entered into between Shi Hongjiao as the vendor and Differ Cultural Tours Limited, a wholly-owned subsidiary of the Company, as the purchaser, the entire issued share capital of Prime Thrive Investments Limited, which held 100% equity interest of Jingning Outdoor Residence Tour Investment Development Co., Limited holding the subject development, were acquired by Differ Cultural Tours Limited at a consideration of RMB499,972,000.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company 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 were required (a) to be 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 were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong Mingxian (“ Mr. Hong ”)	Interest in controlled corporation (<i>Note 1</i>)	3,001,200,000	–	3,001,200,000	41.63%
	Beneficial owner	–	6,400,000	6,400,000	0.09%
Mr. Ng Chi Chung (“ Mr. Ng ”)	Interest in controlled corporation (<i>Note 2</i>)	822,000,000	–	822,000,000	11.40%
	Beneficial owner	305,898,000	6,400,000	312,298,000	4.33%

Notes:

- These Shares were held by Expert Corporate Limited (“**Expert Corporate**”), which was wholly and beneficially owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
- These Shares were held by Ever Ultimate Limited (“**Ever Ultimate**”), which was wholly and beneficially owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 822,000,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate Limited	Beneficial owner (<i>Note 1</i>)	3,001,200,000	41.63%
Ms. Shi Hongjiao (“ Ms. Shi ”)	Beneficial owner (<i>Note 1</i>)	3,007,600,000	41.72%
Ever Ultimate Limited	Beneficial owner (<i>Note 3</i>)	822,000,000	11.40%
Ms. Ting Pui Shan (“ Ms. Ting ”)	Interest of spouse (<i>Note 4</i>)	1,134,298,000	15.73%

Notes:

- These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
- Ms. Shi is the spouse of Mr. Hong.
- These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 822,000,000 Shares under the SFO.
- Ms. Ting is the spouse of Mr. Ng.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates (as defined in the Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting at the date of this circular in which a Director was materially interested and which was significant in relation to the business of the Group.

7. EXPERTS AND CONSENTS

The following is the qualifications of the expert who have given opinions or advice, which is contained in this circular:

Names	Qualifications
Vincorn Consulting and Appraisal Limited ("Vincorn")	Independent property valuer

As at the Latest Practicable Date, Vincorn has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which it appears.

As at the Latest Practicable Date, Vincorn has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Vincorn has no interest, either directly or indirectly, in any assets which had been since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the sale and purchase agreement dated 29 December 2018 entered into between the Company (as the vendor) and Ng Hung Ming (吳鴻銘) (as the purchaser) in respect of the sale and purchase of the entire issued share capital of Differ Network Development Limited (鼎豐網絡發展有限公司) at the consideration of RMB37,000,000;
- (b) the agreement dated 29 December 2018 entered into between Xiamen Differ Dai Investment Consulting Company Limited* (廈門市鼎豐貸投資諮詢有限公司) (“**Differ Dai**”), and Xiamen Hao Feng Investment Company Limited* (廈門豪豐投資有限公司), pursuant to which Differ Dai agreed to provide loans with an aggregate amount up to RMB385,000,000 of 12 months;
- (c) the sale and purchase agreement dated 25 June 2019 entered into between the Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司) (as the vendor) and Wang Yanxuan* (王燕旋) (as the purchaser) in respect of the sale and purchase of the entire issued share capital of Karhoe Company Limited (嘉禾有限公司) and the relevant sale loan at the total consideration of RMB279,379,667;
- (d) the master guarantee agreement and service agreement dated 13 September 2019 entered into among the Company and Differ China (the Company and Differ China are referred to collectively as the “**Guarantors**”) and three PRC companies with limited liability (the “**Customers**”) (as the borrowers) for a period of two years, whereby the Guarantors have guaranteed to pay an aggregate amount of not exceeding RMB295,000,000, in respect of the banking facilities in the aggregate amount of not exceeding RMB295,000,000 due and owing to a PRC commercial bank by the Customers in the event of the Customers’ default;

- (e) the sale and purchase agreement dated 17 December 2019 entered into between the Cultural Tours Limited (文旅有限公司) (as the purchaser) and Mr. Hong Baota (洪寶塔) (as the vendor) in respect of the sale and purchase of the entire issued share capital of Cyut Shing Company Limited (茁晟有限公司) at the consideration of RMB405,000,000
- (f) the agreement dated 29 December 2019 entered into among Differ Dai, Ganzhou Hao Sheng Investment Management Company Limited* (贛州市豪晟投資管理有限公司) (“**Ganzhou Hao Sheng**”) and Xiamen Hao Feng Investment Company Limited*(廈門豪豐投資有限公司), pursuant to which Differ Dai and Ganzhou Hao Sheng agreed to provide loans with an aggregate amount up to RMB380,000,000 of 24 months;
- (g) the land use rights grant contract dated 11 February 2020 entered into among Shanghang County Natural Resources Bureau* (上杭縣自然資源局), a local PRC government authority (as the vendor) and Xiamen Ding Feng Sheng Enterprise Management Co., Ltd* (廈門鼎豐盛企業管理有限公司) (as the purchaser) for state-owned construction land use right assignment in respect of a parcel of land located in Shanghang County, Fujian Province, the PRC at the consideration of RMB390,700,000;
- (h) the placing and subscription agreement dated 2 June 2020 entered into among the Company, Kingkey Securities Group Limited (as the placing agent) and Expert Corporate Limited (as the vendor) for the placing of the 265,000,000 shares beneficially owned by Expert Corporate Limited and the subscription of 265,000,000 new shares to be allotted and issued to the Company and subscribed by Expert Corporate Limited;
- (i) the sale and purchase agreement dated 18 June 2020 entered into among Cai Fangxiang (蔡芳向) (as the vendor) and Differ Cultural Tours Limited (鼎豐文化旅遊有限公司) (as the purchaser) in respect of the acquisition of 49% equity interest in Weihai Zhongtian Real Estate Limited* (威海中天房地產有限公司), 51% equity interest in Shanghang Fengda Real Estate Co., Ltd* (上杭豐達置業有限公司) and sale loan in the amount of RMB95,164,200 at the consideration of RMB211,120,000; and
- (j) the Agreement.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Tam Wai Tak Victor, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Group is located at 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian, Province, PRC. The principal place of business of the Company in Hong Kong registered as non-Hong Kong company of the Companies Ordinance, cap 622, is located at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong during normal business hours (Saturdays and public holidays excepted) up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (d) the valuation report set out in Appendix II to this circular;
- (e) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix; and
- (f) this circular.