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If you have sold or transferred all your shares in **Nan Hai Corporation Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF 10% EQUITY INTEREST
IN GUANGDONG DADI**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



建泉融資有限公司

VBG Capital Limited

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 34 of this circular.

* *For identification purpose only*

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DEFINITIONS

In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below:

“associate(s)”	has the meaning given to it under the Listing Rules
“Announcement”	the announcement of the Company dated 11 November 2016 in relation to, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purposes of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680)
“Completion Date”	the date which the Equity Transfer shall be completed pursuant to the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder Group”	Rosewood Assets Ltd., Phippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly-owned by Mr. Yu Pun Hoi (an executive Director) through Dadi Holdings Limited, which together held 36,622,130,679 Shares, representing approximately 53.35% of the issued share capital of the Company as at the date of the Equity Transfer Agreement
“Dadi Century Film Culture” or the “Transferor”	大地時代電影文化傳播(北京)有限公司 (Dadi Century Film Culture Media (Beijing) Company Limited*), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Dadi Dreamworks” or the “Transferee”	北京大地夢工廠投資合夥企業(有限合夥) (Beijing Dadi Dreamworks Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Equity Transfer”	the equity transfer of 10% of the equity interest in Guangdong Dadi from Dadi Century Film Culture to Dadi Dreamworks pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 11 November 2016 between Dadi Century Film Culture and Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi for a total consideration of RMB150,000,000
“Group”	the Company and its subsidiaries
“Guangdong Dadi”	廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited*), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Scheme”	the incentive scheme adopted by Guangdong Dadi to provide incentives to its employees who have made significant contributions to Guangdong Dadi. The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Ho Yeung Nang, Mr. Lau Yip Leung and Mr. Xiao Sui Ning, the independent non-executive Directors, established for the purpose of making recommendations to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in respect of the Equity Transfer Agreement and the transactions contemplated thereunder

DEFINITIONS

“Latest Practicable Date”	13 December 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company, or if there has been a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Sino-i”	Sino-i Technology Limited, a company incorporated in Hong Kong and its issued shares are listed on the Stock Exchange (Stock Code: 250), a subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Huaxiajinxin”	天津華夏金信資產評估有限公司深圳分公司 (Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch*), an independent professional valuer
“Valuation Report”	valuation report issued by Tianjin Huaxiajinxin dated 11 November 2016 in respect of the valuation of Guangdong Dadi as at 31 August 2016
“%”	per cent.

* For identification purposes only



南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

Executive Directors:

Mr. YU Pun Hoi (*Chairman*)
Ms. CHEN Dan
Ms. LIU Rong
Mr. LUNG King Cheong

Non-executive Director:

Mr. LAM Bing Kwan

Independent non-executive Directors:

Mr. HO Yeung Nang
Mr. LAU Yip Leung
Mr. XIAO Sui Ning

Principal place of business in

Hong Kong:

12/F., The Octagon,
No. 6 Sha Tsui Road,
Tsuen Wan,
New Territories,
Hong Kong

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

19 December 2016

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF 10% EQUITY INTEREST
IN GUANGDONG DADI**

I. INTRODUCTION

Reference is made to the Announcement. On 11 November 2016 (after trading hours), Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi for a total consideration of RMB150,000,000.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information in relation to the Equity Transfer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

II. THE EQUITY TRANSFER AGREEMENT

Date

11 November 2016 (after trading hours)

Parties

Transferor: Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company

Transferee: Dadi Dreamworks

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Equity Transfer Agreement, Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to buy, 10% equity interest in Guangdong Dadi.

Consideration and Payment

The total consideration of RMB150,000,000 is payable by Dadi Dreamworks in cash within three months after the Completion Date.

The consideration was determined after arm's length negotiation between Dadi Century Film Culture and Dadi Dreamworks with reference to the following factors: (i) the valuation of 100% equity interest of Guangdong Dadi in the amount of RMB1,313,414,000 as at 31 August 2016 conducted by Tianjin Huaxiajinxin using assets approach; and (ii) the business and financial performance of Guangdong Dadi, and taking into account that (i) Dadi Dreamworks is and shall be owned by employees of Guangdong Dadi; (ii) the Equity Transfer is to provide incentive to employees of Guangdong Dadi (currently including Ms. Liu Rong and Ms. Yu Xin) who have made significant

LETTER FROM THE BOARD

contributions to Guangdong Dadi; and (iii) the undertakings required to be made by the partners of Dadi Dreamworks as set out in the paragraph headed “Undertakings of partners of Dadi Dreamworks” below.

Conditions precedent to the Equity Transfer Agreement

Completion of the Equity Transfer Agreement is conditional upon the obtaining of the necessary authorization and approval on the Equity Transfer Agreement and the transactions contemplated thereunder as required by applicable laws and regulations (including the approval of Shareholders at general meeting of the Company, if necessary).

Completion Date

The Completion Date shall be on the date which the approval of Shareholders at general meeting of the Company in relation to the Equity Transfer Agreement has been obtained (if required), or on the date which the Transferor informs the Transferee to complete the Equity Transfer Agreement subject to the fulfillment of the conditions precedent to the Equity Transfer Agreement.

III. UNDERTAKINGS OF PARTNERS OF DADI DREAMWORKS

The Equity Transfer Agreement is entered to implement the Incentive Scheme. Under the Incentive Scheme, additional employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi may be nominated to become limited partners of Dadi Dreamworks at Guangdong Dadi’s shareholders meeting and the nominated employee is required to pay a consideration proportional to his/her acquired interests in Dadi Dreamworks with reference to the original total consideration of RMB150,000,000. Existing partners must agree to the transfer of equity interests to the nominated employee. All partners of Dadi Dreamworks have to remain in service with Guangdong Dadi for at least an additional of five years. In the event that any of the partners (i) fails to remain in service for this five additional years; or (ii) is summarily dismissed in accordance with the law for reasons such as serious neglectful of duties or violation of the relevant laws or the articles of association of Guangdong Dadi, such partner shall be required to transfer his/her equity interests back to the general partner of Dadi Dreamworks at the original consideration he/she paid. In addition, the Incentive Scheme requires all partners of Dadi Dreamworks not to dispose or transfer his/her interests in Dadi Dreamworks prior to Guangdong Dadi being listed except pursuant to the terms of the Incentive Scheme as mentioned above. All partners are required to sign an undertaking when joining Dadi Dreamworks pursuant to which they undertake to comply with all the terms of the Incentive Scheme.

IV. INFORMATION ON THE PARTIES

Dadi Century Film Culture

Dadi Century Film Culture is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. Dadi Century Film Culture is principally engaged in the distribution of film.

LETTER FROM THE BOARD

The Company

The Company is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Group is principally engaged in (i) culture and media services (mainly in cinemas business on a nationwide basis in the PRC including film distribution and other media related businesses); (ii) property development; and (iii) corporate IT application services (through its listed subsidiary, Sino-i (stock code: 250), a company having its shares listed and traded on the Main Board of the Stock Exchange) as at the date of this circular. In 2015, the Group also started to tap into new business segments such as “New Media” and “Innovative Business” and sparing no effort to make them as the fourth and fifth business segment of the Group within two to three years.

Dadi Dreamworks

Dadi Dreamworks is a limited partnership established in the PRC and is principally engaged in management of investment. Dadi Dreamworks is used as a platform for employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi to hold the equity interests of Guangdong Dadi they acquired pursuant to the Incentive Scheme. As at the Latest Practicable Date, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

V. INFORMATION ON GUANGDONG DADI

Guangdong Dadi is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. Guangdong Dadi is principally engaged in the business of cinema construction and operation, related concessions and derivatives sales, and related advertisement sales.

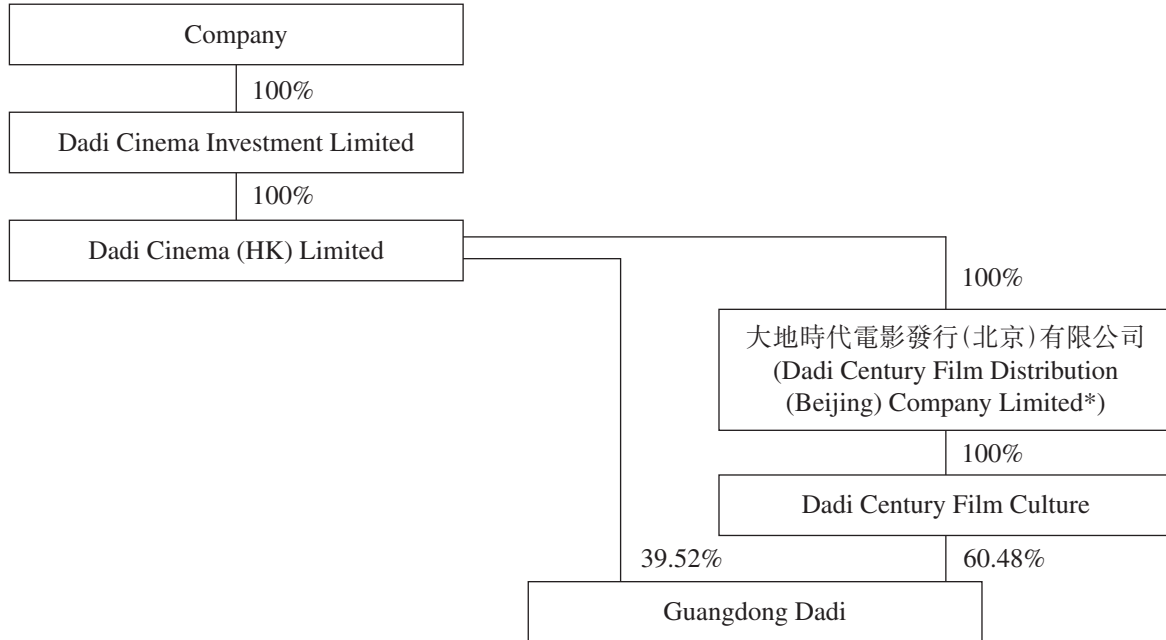
The unaudited consolidated financial information of Guangdong Dadi and its subsidiaries are set out as below:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before taxation	(265,955)	276,193
Net (loss)/profit after taxation	(288,960)	259,056

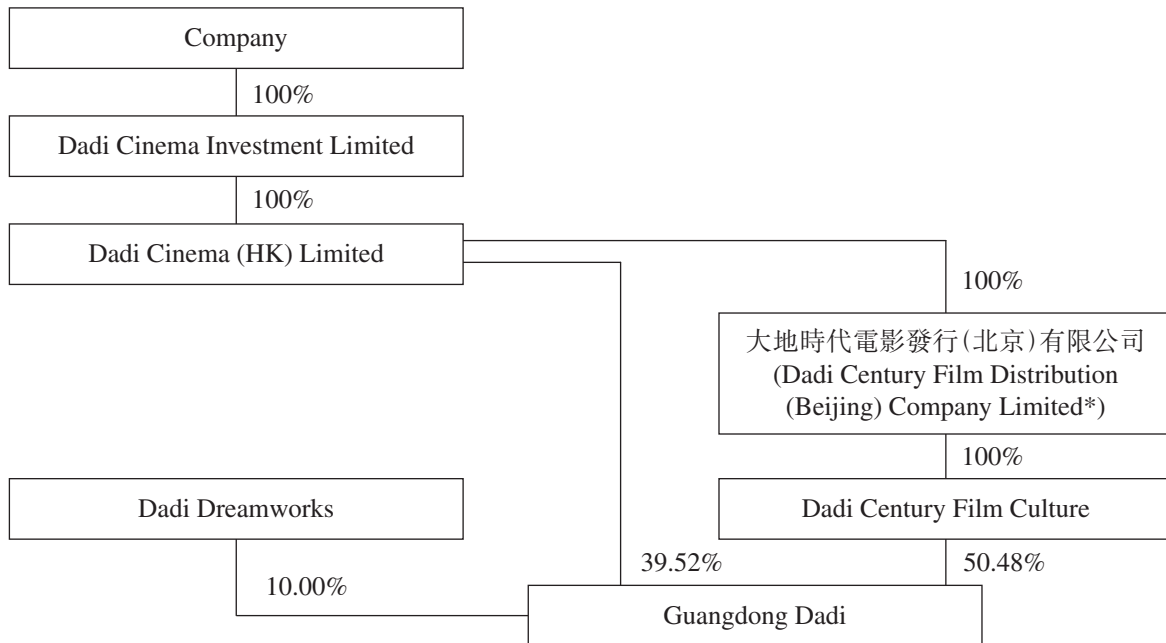
Based on the unaudited financial statements of Guangdong Dadi, the consolidated net assets of Guangdong Dadi and its subsidiaries as at 31 December 2015 was approximately HK\$1,265,959,000.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the simplified shareholding structure of Guangdong Dadi is set out below:



Upon completion of the Equity Transfer, the simplified shareholding structure of Guangdong Dadi is set out below:



Guangdong Dadi will remain a subsidiary of the Company and its results will continue to be consolidated into the Group's financial results upon completion of the Equity Transfer.

LETTER FROM THE BOARD

VI. REASONS FOR THE EQUITY TRANSFER

To recognize the significant contributions made by Ms. Liu Rong, Ms. Yu Xin and other employees of Guangdong Dadi (who may be nominated to become partners of Dadi Dreamworks in the future) and to provide incentive to them, the Company proposes to implement the Incentive Scheme through transferring 10% equity interests in Guangdong Dadi to Dadi Dreamworks. The Company considers that the Equity Transfer is the best option to increase the sense of belonging and motivation of Guangdong Dadi's employees as well as aligning their interests with the Company, therefore the Company did not consider other alternatives.

Ms. Liu Rong is one of the founding employees of Guangdong Dadi. She was the general manager of Guangdong Dadi from 2007 to February 2015 and has served as the chairlady of Guangdong Dadi since February 2015. The Company is of the view that under the leadership of Ms. Liu Rong, Guangdong Dadi has successfully developed into one of the largest cinema chains in China. As at 30 June 2016, Guangdong Dadi (including its subsidiaries) had an aggregate of 315 cinemas with a total of 1,673 screens operating in 28 provinces and 151 cities in China. Under the leadership of Ms. Liu Rong, Guangdong Dadi has maintained high corporate governance standards and system, achieved high operation efficiency while upholding its social responsibility.

Ms. Yu Xin joined the Company in January 2011 and was transferred to Guangdong Dadi in August 2011 for the position of deputy general manager. Ms. Yu Xin was then promoted to executive deputy general manager in December 2013, and further promoted to general manager in February 2015, responsible for daily operation management of Guangdong Dadi. The Company is of the view that Ms. Yu Xin has successfully led the continuous expansion and development of Guangdong Dadi. In 2015, Guangdong Dadi recorded a box office before tax of approximately RMB2.21 billion, representing an increase of approximately 46.7% over the previous year, ranking second among cinema investment and management companies throughout China. Ms. Yu Xin introduced the new business strategy "Film +", a cross-industry marketing strategy that consists of "Film + Innovative Internet", "Film + Innovative Retail" and "Film + Innovative Catering", to provide comprehensive value-added services, optimise the proportion of box-office revenue and revenue generated from non-box office sources. Under the leadership of Ms. Yu Xin, Guangdong Dadi is successfully transforming into an innovative corporations that suits the contemporary trend in cinemas.

In light of the above, the Company is of the view that both Ms. Liu Rong and Ms. Yu Xin, being the current partners of Dadi Dreamworks as at the Latest Practicable Date, have contributed to the success and advancement of Guangdong Dadi and are key personnel for the business and operations of Guangdong Dadi.

In view of the above, the Directors consider that the terms of the Equity Transfer Agreement including the consideration, are fair and reasonable so far as the Shareholders are concerned and the transactions contemplated under the Equity Transfer Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

VII. FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS

As the Group will still retain control over Guangdong Dadi after the Equity Transfer, the Company does not expect to record any gain or loss in its consolidated income statement for the current financial year ending 31 December 2016. The proceeds from the Equity Transfer will be utilized as general working capital for the Group.

VIII. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5% but is/are less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Dadi Dreamworks is owned as to 50% and 50% by Ms. Liu Rong (an executive Director of the Company and the chairlady of Guangdong Dadi) and Ms. Yu Xin (a director of certain subsidiaries of the Company and the general manager of Guangdong Dadi) respectively. Ms. Liu Rong is the general partner of Dadi Dreamworks and Ms. Yu Xin is the limited partner of Dadi Dreamworks. As such, Dadi Dreamworks is an associate of Ms. Liu Rong and Ms. Yu Xin, and thus a connected person of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed(s) 5%, the Equity Transfer Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IX. APPROVAL BY THE BOARD

To avoid any conflicts of interests, Ms. Liu Rong, an executive Director who owns 50% equity interests in Dadi Dreamworks, has abstained from voting on the Board meeting for approval of the Equity Transfer Agreement.

Save as disclosed above, none of the Directors has a material interest in the Equity Transfer nor was required to abstain from voting on the relevant Board meeting approving the Equity Transfer Agreement and the transactions contemplated thereunder.

X. SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the transactions contemplated under the Equity Transfer Agreement and therefore none of the Shareholders is required to abstain from voting if a general meeting of the Company is convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As no Shareholder is required to abstain from voting if a general meeting of the Company is convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder, the Company has obtained a written approval from the Controlling Shareholder Group, which held

LETTER FROM THE BOARD

36,622,130,679 Shares as at the date of the Equity Transfer Agreement (representing approximately 53.35% of the issued share capital of the Company) for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.37 of the Listing Rules, an application has been made by the Company to the Stock Exchange for a waiver from the requirement for the Company to convene a general meeting, on the basis that the Equity Transfer Agreement and the transactions contemplated thereunder have been approved by the written approval of a closely allied group of Shareholders who together hold more than 50% of the voting rights in the general meeting.

The Stock Exchange has granted the waiver on 15 November 2016, as such, no general meeting will be held to approve the Equity Transfer Agreement and the transactions contemplated thereunder. The waiver is subject to the condition that the Company discloses details of the waiver and applies to this transaction only. The Stock Exchange may change the waiver if the Company's situation changes.

XI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise and provide recommendation to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. VBG Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in the same respect.

XII. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Nan Hai Corporation Limited
Yu Pun Hoi
Chairman and Executive Director

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee setting out their advice to the Shareholders, which has been prepared for the purpose of inclusion in this circular.



南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

19 December 2016

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF 10% EQUITY INTEREST IN GUANGDONG DADI

We refer to the circular of the Company to the Shareholders dated 19 December 2016 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been authorized by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether, in our opinion, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 11 of the Circular and the letter from VBG Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder as set out on pages 14 to 34 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, and the view of the Board in respect of the Equity Transfer, we consider the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of the
**Independent Board Committee of
Nan Hai Corporation Limited**
Mr. Ho Yeung Nang
Mr. Lau Yip Leung
Mr. Xiao Sui Ning
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer for the purpose of inclusion in this circular.



18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

19 December 2016

*To: The independent board committee and the independent shareholders
of Nan Hai Corporation Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF 10% EQUITY INTEREST IN GUANGDONG DADI

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 19 December 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

The Company announced on 11 November 2016 that on even date, Dadi Century Film Culture, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Dadi Dreamworks, pursuant to which Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to purchase, 10% equity interest in Guangdong Dadi for a total cash consideration of RMB150,000,000 (the “**Consideration**”). The Equity Transfer Agreement is entered to implement the Incentive Scheme which was adopted by Guangdong Dadi to provide incentives to employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi.

With reference to the Letter from the Board, the Equity Transfer constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder has material interest in the transactions contemplated under the Equity Transfer Agreement, therefore none of the Shareholders is required to abstain from voting if a general meeting of the Company was convened to approve the Equity Transfer Agreement. With this being the case, the Company has obtained written approval from the Controlling Shareholder Group for the approval of the Equity Transfer Agreement and the transactions contemplated

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

thereunder, and applied to the Stock Exchange for a waiver from the requirement to convene a Shareholders' meeting pursuant to Rule 14A.37 of the Listing Rules. The Stock Exchange has granted the waiver on 15 November 2016, as such no general meeting of the Company will be held to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Ho Yeung Nang, Mr. Lau Yip Leung and Mr. Xiao Sui Ning (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Equity Transfer is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder if a general meeting of the Company was convened for such purpose. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Equity Transfer, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, Dadi Century Film Culture, Dadi Dreamworks, Guangdong Dadi or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group or the Shareholders as a result of the Equity Transfer. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not conducted any independent evaluation or appraisal of Guangdong Dadi, and we have not been furnished with any such evaluation or appraisal save for the valuation report of Guangdong Dadi prepared by 天津華夏金信資產評估有限公司深圳分公司 (Tianjin Huaxiajinxin Assets Appraisal Company Limited Shenzhen Branch*), an independent professional valuer (the “**Valuer**”), as contained in Appendix I to the Circular. Since we are not experts in the valuation of assets, land and properties, we have relied solely upon the said Valuation Report for the market value of Guangdong Dadi as at 31 August 2016 (the “**Valuation**”).

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Equity Transfer, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Equity Transfer

Financial and business overview of the Group

Set out below is a summary of the consolidated financial information of the Group for the six months ended 30 June 2016 and the two years ended 31 December 2015 and 2014 as extracted from the Company's interim report for the six months ended 30 June 2016 (the "2016 Interim Report") and its annual report for the year ended 31 December 2015 (the "2015 Annual Report"), respectively:

	For the six months ended 30 June 2016	For the year ended 31 December 2015	For the year ended 31 December 2014
	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,143,176	4,200,117	3,153,015
— Culture and media services	1,708,891	3,152,970	2,200,039
— Corporate IT application services	403,459	808,287	784,763
— Property development	570	192,051	127,806
— New media	4,440	—	—
— Other segments	25,816	46,809	40,407
Profit/(Loss) for the period/ year	9,595	255,430	(746,979)

With reference to the 2015 Annual Report, benefited from the business segment of culture and media services and in particular driven by the rapid growth of cinema business, revenue of the Group for the year ended 31 December 2015 increased by approximately 33.2% from approximately HK\$3,153.0 million to HK\$4,200.1 million. The Group's net profit was approximately HK\$255.4 million in 2015, as compared to net loss of approximately HK\$747.0 million in 2014. Such turnaround in performance was mainly attributable to the combined effects of improvement in profit driven by the increase in revenue, the investment gain of approximately HK\$165.6 million arising from the disposal of the Group's 20% equity interest in an associate as well as a gain of approximately HK\$153.1 million arising from the changes in fair values of investment properties.

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As depicted by the above table, the Group derived its revenue from three principal business segments for the two years ended 31 December 2015 and 2014, namely culture and media services, corporate IT application services and property development. For the six months ended 30 June 2016, the Group further expanded into the new media segment.

The followings are a brief description of each of the principal business segments of the Group:

Culture and media services

As advised by the Directors, during 2015, the culture and media services segment of the Group continued to attain encouraging results, with an approximate 43.3% increase in revenue and approximately HK\$230.5 million of segment profit before income tax. According to the 2015 Annual Report, the segment profit was mainly due to the significant increase in gross profit as a result of the growth in box office of Guangdong Dadi and its subsidiaries (the “**GD Group**”). Further information regarding the GD Group will be disclosed in the sub-section headed “Information on Guangdong Dadi” of this letter of advice.

Besides operation of cinemas, the Group also engages in film distribution and development of film-related technology and products. For the year ended 31 December 2015, the Company, through one of its associates, distributed a total of 14 films with an aggregate box office of approximately RMB6.76 billion, accounting for approximately 25% of the gross box office of Chinese films, and ranked the first among private distribution companies.

Moreover, we understand from the Directors that as quality of film screenings has become the core capacity for every cinema investment company, technical service demand of the film market shows rapid growth. To cater for such demand, in 2015, the Group developed various products such as digital film screening server, ticketing system and cinema screening integrated management system, and pioneered the integration of cloud screening server and cinema screening integrated management system internationally.

Corporate IT application services

According to the 2015 Annual Report, the Group’s corporate IT application services segment, which is operated through its listed subsidiary, Sino-i Technology Limited (“**Sino-i**”) (stock code: 250), recorded revenue of approximately HK\$808.3 million in 2015 and succeeded in minimising its segment loss before income tax from approximately HK\$177.0 million in 2014 to approximately HK\$14.9 million in 2015. Such substantial reduction in segment loss was largely a result of the adjustments to product structure by boosting the sales of those self-developed products which have higher gross profit margin.

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As advised by the Directors, along with its traditional businesses such as website constructions and communications for small and medium enterprises (SMEs), the Group continues to explore innovative business models and put efforts in research and development of new products. Examples were the successful establishment of a corporate e-commerce and product information operating system together with an extensive business and services network. The Group also conducts the domain name registration business, cloud computing business and synergistic communication business, and actively developed various application and value-added products for SMEs through online direct sales and distributor channels set up throughout the PRC.

Property development

From the 2015 Annual Report, we noted that revenue from the property development segment of the Group amounted to approximately HK\$192.1 million in 2015, representing an increase of approximately 50.3% as compared to the year ended 31 December 2014. The Group enjoyed profit from this segment as compared to a loss in 2014 mainly because certain properties had been transferred to investment properties by the Group during the year, with a gain arising from changes in fair values of approximately HK\$153.1 million. As at 30 June 2016, the Group together with its associates held two property development projects in the PRC, being “The Peninsula” Project in Shenzhen and “Free Man Garden” Project in Guangzhou.

New media

The Group’s new media business is at a preliminary stage of market investment and ramp-up. There are two business divisions, namely “HK01” and “Duowei Media”, within this segment. Based in Hong Kong, “HK01” dedicates to provide full services for readers through multimedia platform, such as internet platform, weekly magazine and physical premise. Its internet platform has already been launched in January 2016, and the first edition of its weekly magazine was published in March 2016. As for “Duowei Media”, it includes two major media, namely Duowei monthly magazine and Duowei website. Duowei monthly magazine, which was published in the second half of 2015, are sold in Hong Kong, Singapore and Malaysia.

Information on Guangdong Dadi

As extracted from the Letter from the Board, Guangdong Dadi is a limited liability company incorporated in the PRC and is principally engaged in the business of cinema construction and operation, related concessions and derivatives sales, and related advertisement sales.

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Set out below are the unaudited consolidated net profits/losses of Guangdong Dadi (before and after taxes) for the two years ended 31 December 2015 and 2014 as extracted from the Letter from the Board:

	For the year ended 31 December 2015	For the year ended 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxes	276,193	(265,955) (<i>Note</i>)
Net profit/(loss) after taxes	259,056	(288,960) (<i>Note</i>)

Note: Including an one-off loss of approximately HK\$304.7 million arising from the close down of those cinemas which were non-performing after a comprehensive operation assessment conducted by Guangdong Dadi.

Based on the unaudited financial statements of Guangdong Dadi, the consolidated net assets of Guangdong Dadi were approximately HK\$1,265,959,000 as at 31 December 2015.

As aforementioned, during 2015, the culture and media services segment of the Group continued to attain encouraging results, with an approximate 43.3% increase in revenue and approximately HK\$230.5 million of segment profit before income tax. As referred to in the 2015 Annual Report, for the same year under review, the GD Group achieved another record high admission of 71.58 million audiences with its box office before tax amounting to approximately RMB2.21 billion, representing an increase of approximately 46.7% as compared to the prior year, which accounted for approximately 5.0% of the national box office, and ranked the second among cinema investment companies throughout the PRC. The compound annual growth rate of box office of the GD Group for the past five years was approximately 44.6%.

As further referred to in the 2016 Interim Report, the GD Group achieved admissions of approximately 38.95 million audiences for the six months ended 30 June 2016. Its box-office revenue (before taxation) was approximately RMB1,227 million, representing a growth of approximately 22.7% as compared to the corresponding period last year and contributing to approximately 5.0% of the national box office receipts. That made the GD Group the first runner-up among the cinema investment companies across the nation.

As at 30 June 2016, the GD Group had an aggregate of 315 cinemas with a total of 1,673 screens operating in 28 provinces and 151 cities. There were also over 310 cinemas contracted but not yet in operation. The GD Group has been striving to provide quality film screening services for audience nationwide by starting to install “STAR MAX”, a gigantic laser screen, in its cinemas. It is expected that the GD Group will have 100 “STAR MAX” cinemas nationwide by 2018.

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As confirmed by the Directors, going forward, the GD Group will continue to consolidate and expand its market share by implementing a multi-brand strategy, conducting data research and providing different products and services catering different market segments. At the same time, it will continue to implement the “Film +” strategy, a cross-industry marketing strategy that consists of “Film + Innovative Internet”, “Film + Innovative Retail” and “Film + Innovative Catering”, to provide comprehensive value-added services, optimise the proportion of box-office revenue and revenue generated from non-box office sources.

Information on Dadi Dreamworks, Ms. Liu Rong and Ms. Yu Xin

As extracted from the Letter from the Board, Dadi Dreamworks is a limited partnership established in the PRC and is principally engaged in management of investment. Dadi Dreamworks is used as a platform for employees of Guangdong Dadi who have made significant contributions to Guangdong Dadi to hold the equity interests in Guangdong Dadi they acquired under the Incentive Scheme. As at the Latest Practicable Date, Dadi Dreamworks was owned as to 50% and 50% by Ms. Liu Rong (“**Ms. Liu**”) and Ms. Yu Xin (“**Ms. Yu**”) respectively. Ms. Liu is the general partner of Dadi Dreamworks and Ms. Yu is the limited partner of Dadi Dreamworks.

In light of that as at the Latest Practicable Date, Ms. Liu and Ms. Yu were the partners of Dadi Dreamworks who will hold 10% equity interest in Guangdong Dadi upon completion of the Equity Transfer, we have requested the Company to provide us with the background information and working experience of Ms. Liu and Ms. Yu and their respective employment history with the Group, a summary of which is as follows:

Ms. Liu

Ms. Liu graduated from the Law School of Anhui University with a Bachelor degree in Laws and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science. She is a qualified lawyer in the PRC. In addition, Ms. Liu graduated from the International MBA School of National School of Development of Peking University in 2013. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu joined the Group in April 2002 and has been appointed as an executive Director and executive committee member of the Company since March 2009. From 2007 to February 2015, Ms. Liu was the general manager of Guangdong Dadi. Since February 2015, Ms. Liu has been promoted to the chairlady of Guangdong Dadi.

Ms. Liu is also an executive director of Sino-i and a director of a number of subsidiaries of the Company. Ms. Liu is responsible for the businesses in culture and media services of the Group.

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Ms. Yu

Ms. Yu has over ten years' experience in financial management in addition to her in-depth experience and knowledge in culture and media services sector. Prior to joining the Group, Ms. Yu was a director of China region of Emile Woolf International Limited. Ms. Yu joined the Company in January 2011 in the position of controller in fund management department. Ms. Yu was transferred to Guangdong Dadi in August 2011 for the position of deputy general manager, and was then promoted to executive deputy general manager in December 2013, and further promoted to general manager in February 2015, responsible for daily operation management of Guangdong Dadi.

Ms. Yu is also a member of executive committee of the Company, and a director of a number of subsidiaries of the Company.

For our due diligence purpose, we have further conducted interviews with Ms. Liu and Ms. Yu. Based on the curriculum vitae of and our interview with Ms. Liu regarding her educational background, past working experience (especially those which were relevant to her current job duties), and her responsibilities within the Group, we noted that Ms. Liu (i) graduated from the Law School of Anhui University with a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC; (ii) has joined the Group since April 2002; (iii) has been an executive Director and executive committee member of the Company since March 2009, and is responsible for the businesses in culture and media services of the Group; and (iv) has become the chairlady of Guangdong Dadi since February 2015. Similarly, based on the curriculum vitae of and our interview with Ms. Yu regarding her educational background, past working experience (especially those which were relevant to her current job duties), and her responsibilities within the Group, we noted that Ms. Yu (i) has over ten years' experience in financial management in addition to her in-depth experience and knowledge in culture and media services sector; (ii) has joined the Group in January 2011; (iii) has become the general manager of Guangdong Dadi since February 2015 who is responsible for daily operation management of Guangdong Dadi; and (iv) is a member of executive committee of the Company.

Having considered the foregoing background information and working experience, we concur with the Company that both Ms. Liu and Ms. Yu have contributed to the success and advancement of Guangdong Dadi and are key personnel for the business and operations of Guangdong Dadi together with the Group.

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Undertakings of partners of Dadi Dreamworks

As confirmed by the Directors, the Equity Transfer Agreement was entered to implement the Incentive Scheme. Under the Incentive Scheme, additional employees of Guangdong Dadi on top of Ms. Liu and Ms. Yu who have made significant contributions to Guangdong Dadi may be nominated to become limited partners of Dadi Dreamworks at Guangdong Dadi's shareholders meeting and the nominated employee is required to pay a consideration proportional to his/her acquired interests in Dadi Dreamworks with reference to the original Consideration of RMB150,000,000. Existing partners must agree to the transfer of equity interests to the nominated employee.

All partners of Dadi Dreamworks have to remain in service with Guangdong Dadi for at least an additional of five years. In the event that any of the partners (i) fails to remain in service for this five additional years; or (ii) is summarily dismissed in accordance with the law for reasons such as serious neglectful of duties or violation of the relevant laws or the articles of association of Guangdong Dadi, such partner shall be required to transfer his/her equity interests back to the general partner of Dadi Dreamworks at the original consideration he/she paid. In addition, the Incentive Scheme requires all partners of Dadi Dreamworks not to dispose of or transfer his/her interests in Dadi Dreamworks prior to Guangdong Dadi being listed except pursuant to the terms of the Incentive Scheme as mentioned above. All partners are required to sign an undertaking when joining Dadi Dreamworks pursuant to which they undertake to comply with all the terms of the Incentive Scheme.

In view of that all partners of Dadi Dreamworks are restricted to remain in service with Guangdong Dadi for at least an additional of five years under the Incentive Scheme, we are of the opinion that the Equity Transfer for the purpose of implementing the Incentive Scheme may provide incentives to the partners of Dadi Dreamworks to participate in the long-term development of Guangdong Dadi by aligning their interests with Guangdong Dadi.

Overview of the film industry of the PRC

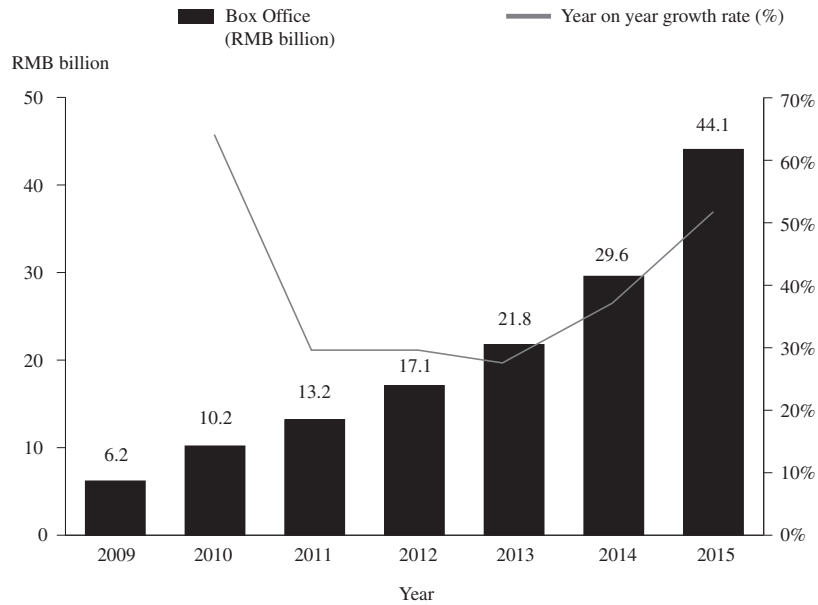
We have independently researched over the internet to understand the prospects of the film industry of the PRC, and we found a relevant research report released by Chyxx.com, an online platform developed by 北京智研科信諮詢有限公司 (Beijing Zhiyankexin Consultancy Company Limited*) in Beijing, the PRC and provides professional industry consultation reports on various sectors, in May 2016. Based on the said research report, the PRC's box office reached approximately RMB44.1 billion in 2015, and made it the second largest film market in the world right after the United States of America. Box office has been rising with a compound annual growth rate of approximately 34% since 2010 when it surpassed the level of RMB100 million. According to the State Administration of Radio, Film and Television (中國廣播總局), during the first quarter of 2016, the PRC's box office

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amounted to approximately RMB14.4 billion, which was approximately 48.5% higher than that in the corresponding period last year. If this trend continues, it is expected that the total box office of the PRC will reach RMB60 billion at the end of 2016.

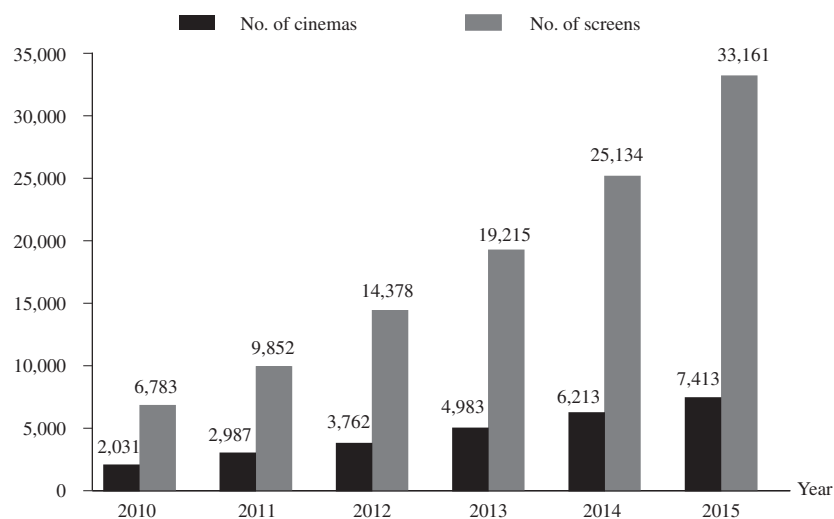
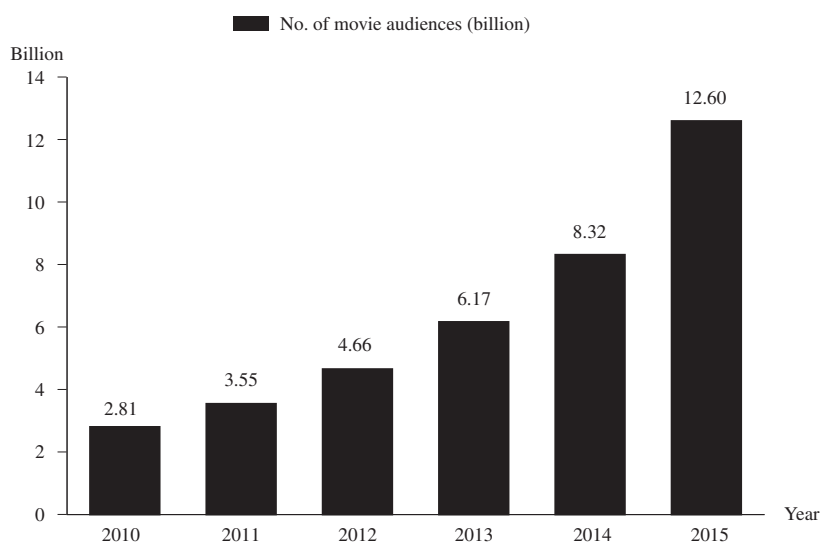
The chart below demonstrates the PRC's total box office from 2009 to 2015 and the corresponding year on year growth rate:



As a result of the increasing demand from movie audiences in the PRC, there were approximately 4.28 billion more movie audiences in 2015 than 2014. Furthermore, there were 1,200 newly built cinemas and 8,027 new screens in 2015.

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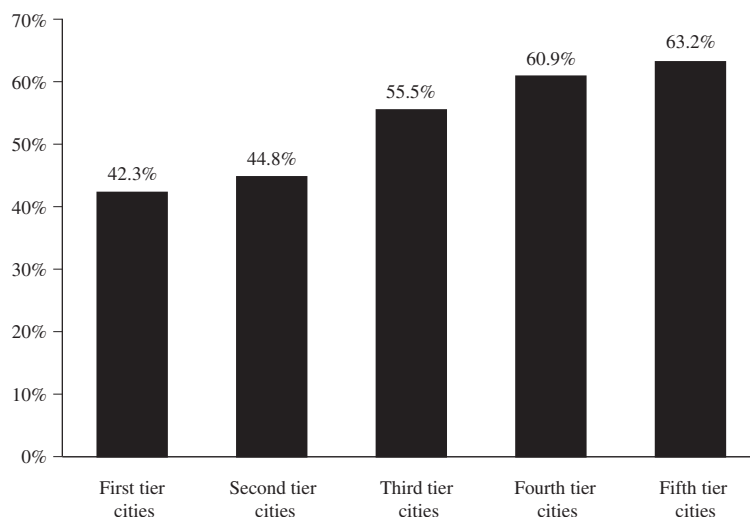
The charts below demonstrate (i) the total number of movie audiences in the PRC from 2010 to 2015; and (ii) the total number of cinemas and screens in the PRC from 2010 to 2015:



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Furthermore, from the many cities which brought the increase in box office of the PRC in 2015, third or below tiers cities contributed more and surpassed the growth rate of tier one and two cities by more than 10%. It is believed that the future growth of the PRC's box office will be dependable on third or below tiers cities.

The chart below demonstrates the growth rate of box office of cities according to tiers in the PRC in 2015:



Reasons for the Equity Transfer

With reference to the Letter from the Board, to recognise the significant contributions made by Ms. Liu, Ms. Yu and other employees of Guangdong Dadi (who may be nominated to become partners of Dadi Dreamworks in the future) and to provide incentive to them, the Company proposes to implement the Incentive Scheme through transferring 10% equity interest in Guangdong Dadi to Dadi Dreamworks. Upon our further enquiry, we understand from the Directors that the Company did not choose to grant share options (the “**Options**”) under its existing share option scheme which was adopted on 28 May 2012 for the aforesaid purpose mainly due to the fact that (i) as the Shares are listed in Hong Kong, PRC residents would face restrictions when purchasing and/or selling them in the open market, thereby weakening the effect of the Options as incentives to those employees of Guangdong Dadi who are PRC residents; and (ii) the Group is engaged in different business segments and should the Options be used, it would be difficult to distinguish the relevant value to provide incentives to the employees of Guangdong Dadi, which only operates one of the many business segments of the Group.

As illustrated in details in the sub-sections headed “Financial and business overview of the Group” as well as “Information on Guangdong Dadi” of this letter of advice, the Group's culture and media services business, leveraging especially on the outstanding performance of the GD Group, has achieved satisfactory financial results and has been expanding rapidly in recent years. In this relation, we were advised by the Directors that the success of the GD Group has been built on the

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contributions of many of its employees, including but not limited to Ms. Liu and Ms. Yu. As regards to Ms. Liu and Ms. Yu, based on their respective curriculum vitae and our interviews with them, we noted that they have both contributed to the success and advancement of the GD Group, and are key personnel for the business and operations of Guangdong Dadi together with the Group.

As further illustrated in the sub-section headed “Overview of the film industry of the PRC” of this letter of advice, the prospects of the film industry of the PRC is likely to be promising with plenty of development potentials. Accordingly, amid the promising but challenging industry environment, we are of the opinion that the Equity Transfer to implement the Incentive Scheme, which aims at recognising Ms. Liu, Ms. Yu (and other employees of Guangdong Dadi who may be nominated to become partners of Dadi Dreamworks in the future)’s contributions and providing incentives to attract and motivate them to participate in the long-term development of the GD Group, is justifiable.

On the other hand, given that the Group will retain control over Guangdong Dadi, and Guangdong Dadi will remain a subsidiary of the Company and its results will continue to be consolidated into the Group’s financial results upon completion of the Equity Transfer, the Group can still be able to enjoy the possible future profitability of the GD Group.

In light of the aforesaid, we concur with the Directors that the Equity Transfer is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Equity Transfer Agreement

A summary of the principal terms of the Equity Transfer Agreement is set out below:

Date:	11 November 2016
Parties:	Dadi Century Film Culture (as the transferor); and Dadi Dreamworks (as the transferee)
Subject matter:	Dadi Century Film Culture agreed to sell and Dadi Dreamworks agreed to purchase, 10% equity interest in Guangdong Dadi.
The Consideration:	RMB150,000,000, being payable by Dadi Dreamworks in cash within three months after the Completion Date.

The Consideration

The Consideration for the transfer of 10% equity interest in Guangdong Dadi is RMB150,000,000. To assess its fairness and reasonableness, we have reviewed the Valuation and performed the price multiples analysis:

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The Valuation

Based on the Valuation Report prepared by the Valuer, the market value of Guangdong Dadi was approximately RMB1,313,414,000 as at 31 August 2016. Accordingly, the Consideration represents a premium of approximately 14.21% over “10% of the Valuation”.

We have reviewed the Valuation (including the fairness and reasonableness of the basis and assumptions), sent out an information request list and held a telephone interview to discuss with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation. In the course of our discussion with the Valuer, we understand that there are three commonly adopted valuation approaches for assets valuation, namely market approach, income approach and assets approach. Market approach is a valuation approach which determines the prices of assets by comparing such assets with comparable assets transacted in the market, whereby those comparable assets transactions are adjusted individually in terms of the price difference by focusing on factors affecting their respective values. Given that the Valuer were unable to identify sufficient comparable assets transactions (in terms of scope and size of operations etc.) in the market, they consider the market approach to be inappropriate in the case of the Valuation.

Income approach is a valuation approach which discounts the expected future revenue of the assets into present value with specific discount rates for the purpose of determining their values. The inherent value of the assets, which means their future profitability, is the basis of the income approach. However, as explained by the Valuer, since they are of the view that the income approach involves a number of subjective assumptions and uncertainties, the income approach was not chosen.

Lastly, assets approach is a valuation approach which determines the values of assets using the adjusted net asset method based on reasonable assessment on asset values and liabilities. The Valuer consider the assets approach to be the most appropriate approach for the purpose of the Valuation taking in account the scope and purpose of the Valuation and that comprehensive information and financials regarding Guangdong Dadi were available. The Valuer also confirm that the assets approach is widely considered as an accepted valuation approach for valuing assets, and is consistent with normal market practice and in compliance with the relevant valuation standards in the PRC. To perform the Valuation, the Valuer were provided by Guangdong Dadi a copy of its consolidated management accounts as at 31 August 2016. Under the adjusted net asset method and subject to the definition of the Valuation, the assets of Guangdong Dadi were analysed, adjusted and appraised individually by the Valuer. Basically, the Valuer would first study in depth to understand the basis of recording the book cost of each asset in the consolidated management accounts of Guangdong Dadi. Then, the Valuer would research independently and/or requested from Guangdong Dadi for updated information

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and factors affecting the latest value of those assets. After evaluating such updated information and relevant factors, the Valuer could arrive at the latest appraised values of the assets of Guangdong Dadi. Detailed explanation regarding how the values of the key assets of Guangdong Dadi (comprising (i) monetary assets such as bank and cash balances, accounts receivables and prepayments; and (ii) tangible assets such as inventories, long-term investments and property, plant and equipment) were adjusted and appraised by the Valuer is included in the Valuation Report. The summation of the values of the individual appraised assets of Guangdong Dadi (both tangible and monetary) represented the total adjusted assets of Guangdong Dadi.

As regards to the liabilities of Guangdong Dadi, including but not limited to borrowings and accounts payables, the Valuer have verified the general ledgers and detailed accounts, and analysed their respective latest values based on the current changing dynamics. By employing the “assets minus liabilities” procedures, that is deducting the total adjusted liabilities from the total adjusted assets of Guangdong Dadi, the market value of Guangdong Dadi was derived.

As further advised by the Valuer and extracted from the Valuation Report, the followings are the key assumptions of the Valuation:

- (i) Transaction assumption: the Valuation Report assumed that all assets for valuation are subject of a transaction in process, and the Valuer have conducted valuation based on a simulated market constituted by the terms of the said transaction.
- (ii) Open market assumption: the Valuation Report assumed that the markets to be entered by all assets for valuation were fully developed and comprehensive markets.
- (iii) Going-concern assumption: the Valuation Report assumed that all assets for valuation are in use and will continue to be in use.
- (iv) Assumption of truth: the Valuation Report assumed that all information provided is true, lawful and complete.
- (v) Assumptions relating to the valuation procedures:
 - (a) In respect of legal descriptions or legal matters pertaining to the appraised assets contained in the Valuation Report, the Valuer have conducted general inspection in accordance with requirements of the valuation standards. Other than as disclosed in the Valuation Report, it is assumed that the assets under valuation have good titles, and are tradable in the market.

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- (b) The Valuer assumed the credibility of information provided by the principal and the appraised entity on which all or part of the value appraisal conclusion contained in the Valuation Report are based, but do not in any way warrant the truthfulness of such information.
- (c) Save for disclosed in the Valuation Report, it is assumed that Guangdong Dadi has fully complied with prevailing national and local laws and regulations relating to land planning, land use, land occupation and the environment, as well as other relevant laws and regulations.
- (d) It is assumed that Guangdong Dadi will perform its obligations as an asset owner in a responsible manner and has competently exercised effective management of the assets concerned.
- (e) It is assumed that all improvements on all of the assets concerned made by Guangdong Dadi are in compliance with all relevant legal terms and other requirements in legal matters, planning or construction work stipulated by relevant competent authorities.
- (f) It is assumed that the public information regarding the Company is accurate, reliable and complete.
- (g) There are no material changes in the relevant laws, regulations and guiding policies of the PRC currently in force and the macro-economic conditions of the PRC will not be worsen.
- (h) There are no other material adverse effects resulting from unforeseeable circumstances and force majeure.
- (i) There will not be material changes to existing taxation laws involved in the estimations in the Valuation Report and the tax rate for tax payments payable will remain unchanged. All applicable regulations and ordinances will be complied with.
- (j) There are no material changes to the political, economic and social environment of the regions in which the parties to this transaction are located.
- (k) It is assumed, in the Valuation, that there are no material changes in loan interest rates, exchange rates, taxation bases and rates, and levies required by government policies on the appraised entity.

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For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the engagement letter and other relevant information (such as company brochure) provided by the Valuer and based on our interview with them, we understand that the Valuer were established under the approval of 天津市財政局財企一 (2008) 第39號文件 (Cai Qi Yi (2008) No. 39 of Tianjin Finance and Local Taxation Bureau) and are a specialised asset appraisal institution with specific qualifications in the securities business granted by the Ministry of Finance and China Securities Regulatory Commission. The clientele of the Valuer includes various listed companies and companies with different business scopes in the PRC and the Valuer have extensive experience in asset valuation, stock valuation and investment valuation etc. We are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation. The Valuer have also confirmed that they are independent to the Group, Dadi Dreamworks, Ms. Liu, Ms. Yu and their respective associates.

During our discussion with the Valuer regarding the basis and assumptions of the Valuation (including the adjustments to each of the key assets of Guangdong Dadi), we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation. Nevertheless, Shareholders should note that valuation of assets usually involves assumptions and therefore the Valuation may or may not reflect the true market value of Guangdong Dadi accurately.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The trading multiples analysis

Besides reviewing the Valuation, we have performed the trading multiples analysis, which includes the price to earnings ratio (“**PER**”) and the price to book ratio (“**PBR**”), for the purpose of assessing the fairness and reasonableness of the Consideration. As at the date of the Equity Transfer Agreement, the market capitalisation of the Company was around HK\$18,000 million. To perform the trading multiples analysis, we have searched for companies listed on the Stock Exchange with market capitalisation of less than HK\$20,000 million as at the date of the Equity Transfer Agreement which are engaged in similar line of business as Guangdong Dadi, i.e. the operation of cinemas, and derive a majority of (at least 50%) their revenue from such principal business (the “**Criteria**”). To the best of our knowledge and endeavour we found four companies which meet the Criteria (the “**Comparable Company(ies)**”). It should be noted that the business operations and prospects of Guangdong Dadi are not exactly the same as the Comparable Companies and we have not conducted any in depth investigation into the business operations and prospects of the Comparable Companies. Set out below are our relevant findings:

Company name (Stock code)	Principal business	Year end date	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
SMI Holdings Group Limited (198)	Theatre operation, securities trading, investments in production and distribution of films, in-theatre counter sales and online shopping.	31 December 2015	23.86	1.89
See Corporation Limited (491)	Film and TV programme production, event production, artiste and model management, music production, a pay TV operation and investment in securities.	30 June 2016	N/A <i>(Note 3)</i>	0.62
Orange Sky Golden Harvest Entertainment (Holdings) Limited (1132)	Worldwide film and video distribution, film exhibition, provision of advertising and consultancy services in Hong Kong, the PRC, Taiwan and Singapore; films and television programmes production in Hong Kong and the PRC.	31 December 2015	N/A <i>(Note 3)</i>	0.96

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Principal business	Year end date	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
Bingo Group Holdings Limited (8220)	Film production, cinema investment and management, licensing and derivatives, crossover marketing and provision of interactive contents.	31 March 2016	N/A <i>(Note 3)</i>	4.06
		Maximum		4.06
		Minimum		0.62
		Average		1.88
		Median		1.42

Source: the web-site of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) The PERs were calculated based on the respective closing price of the shares of the Comparable Companies as at 11 November 2016 (being the date of the Equity Transfer Agreement) and their respective earnings per share for the latest full financial year.
- (2) The PBRs were calculated based on the respective closing price of the shares of the Comparable Companies as at 11 November 2016 (being the date of the Equity Transfer Agreement) and their respective net asset value per share as at the latest financial period end date.
- (3) The relevant Comparable Companies were loss-making during their latest full financial year.

Based on the Consideration of RMB150,000,000 (equivalent to approximately HK\$171,000,000 at the exchange rate of RMB1: HK\$1.14) and (a) 10% of the unaudited net profit after taxation of Guangdong Dadi for the year ended 31 December 2015 of approximately HK\$25,905,600 or (b) 10% of the unaudited net assets of Guangdong Dadi as at 31 December 2015 of approximately HK\$126,595,900 (as the case may be), the implied PER and PBR of the Equity Transfer are approximately 6.60 times and 1.35 times respectively. As such, we noted that the implied PBR of the Equity Transfer is within the PBR range of the Comparable Companies. As for PER, since there is only one Comparable Company which was profit making during its latest full financial year, we consider that the result may not be representative for comparison purpose.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that (i) the Consideration represents a premium of approximately 14.21% over “10% of the Valuation”, whereby the Valuation was fairly and reasonably estimated by the Valuer; and (ii) the implied PBR of the Equity Transfer is within the PBR range of the Comparable Companies, we are of the opinion that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Equity Transfer

As confirmed by the Directors, upon completion of the Equity Transfer, Guangdong Dadi will remain a subsidiary of the Company and its results will continue to be consolidated into the Group’s financial results.

As further confirmed by the Directors, the Company does not expect to record any gain or loss in its consolidated income statement for the year ending 31 December 2016. Moreover, the proceeds from the Equity Transfer will be utilised as general working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Equity Transfer.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Equity Transfer is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder if a general meeting of the Company was convened for such purpose.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Director

The following is the Valuation Report prepared by Tianjin Huaxiajinxin. The Valuation Report was prepared in Chinese only, in case of any discrepancies between the Chinese and the English versions of the Valuation Report, the Chinese version shall prevail.

**ASSET VALUATION REPORT IN RESPECT OF THE
ENTIRE SHAREHOLDERS' INTERESTS INVOLVED IN
THE PROPOSED EQUITY TRANSFER OF
GUANGDONG DADI CINEMA CONSTRUCTION LIMITED**

**Huaxiajinxin Shenzhen Branch Valuation Report
[2016] No. 11103**

Valuer:
Tianjin Huaxiajinxin Assets Appraisal Company Limited,
Shenzhen Branch*
(天津華夏金信資產評估有限公司深圳分公司)

Date of valuation report: 11 November 2016

* *For identification purposes only*

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DECLARATION BY THE REGISTERED ASSET VALUER

- I. During the course of this asset valuation business, we have complied with relevant laws, regulations and provisions of asset valuation standards, adhered to the principles of independence, objectivity and justice. According to the information collected during the valuation process, the content stated in this valuation report is objective and we shall be held responsible for any corresponding legal liabilities in relation to the reasonableness of the conclusion of the valuation.
- II. List of assets and liabilities of the appraised entity is reported and confirmed by signature and sealed by the principal and the appraised entity. The authenticity, legality, completeness and proper use of this valuation report is the responsibility of the principal and relevant parties.
- III. We have no existing or projected interests in the appraised entity stated in this valuation report, no existing or projected interests with the relevant parties, nor bias against any relevant parties. We and all staff participating in the valuation are not interested in the appraised entity and the relevant parties.
- IV. We have carried out on-site investigation of the appraised entity and its assets stated in this valuation report. We have placed adequate emphasis on the legal ownership of the appraised entity and its assets and carried out investigation on the legal ownership of the appraised entity and its assets. We have disclosed issues identified and requested the principal and relevant parties to perfect the legal ownership in order to satisfy the requirements of issuing this valuation report. However, we do not give any form of guarantee on the legal ownership of the appraised entity.
- V. Our valuation report complies with the principles of independence, objectivity and justice, as well as the asset valuation standards and is subject to the valuation assumptions and limitations. The analysis, judgements and results in this valuation report are subject to the assumptions and limitations in this valuation report. Users of this valuation report shall carefully consider the assumptions, limitations, and explanation of special matters in this valuation report, and their impact on the conclusion of the valuation. We remind users of this valuation report to pay special attention to the special notes and limitations of use in this valuation report.
- VI. We carry out this asset valuation business aimed at performing a valuation of the value of the relevant asset of the appraised entity and issuing our own professional advice. We hold no responsibility for the decisions made by our client. We remind the principal and relevant users of this report that the conclusion of the valuation should not be regarded as a guarantee of the value that can be realised by the appraised assets in the market. Proper use of the conclusion of the valuation is the responsibility of relevant users of this report.
- VII. This valuation report can only be used according to the valuation objectives and purposes stated in this valuation report. Users of this valuation report should use the report as a whole. The undersigned certified asset valuer and the valuation institution take no responsibility for any consequences arising from the improper use of this valuation report.

**SUMMARY OF ASSET VALUATION REPORT IN RESPECT OF THE
ENTIRE SHAREHOLDERS' INTERESTS INVOLVED IN THE
PROPOSED EQUITY TRANSFER OF
GUANGDONG DADI CINEMA CONSTRUCTION LIMITED**

Huaxiajinxin Shenzhen Branch Valuation Report [2016] No. 11103

天津華夏金信資產評估有限公司深圳分公司 (Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch*) accepted the engagement by 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited*) and conducted an assessment on the value of the entire shareholders' interests in respect of the proposed equity transfer of Guangdong Dadi Cinema Construction Limited in accordance with the relevant laws, regulations, asset valuation standards and asset valuation principles, adopting a fair asset appraisal method and following necessary appraisal procedures. The valuers have carried out on-site inspection, market research, enquiries and calculations in respect of all subject assets and liabilities under valuation in accordance with various national regulations relating to assets valuation in an objective, independent, fair and scientific manner. A fair market value of the entire shareholders' interests as at 31 August 2016 has been assessed.

The assets approach was adopted for this valuation.

As at 31 August 2016, the carrying value of total assets before valuation of Guangdong Dadi Cinema Construction Limited amounted to RMB3,818,664,000, total liabilities amounted to RMB2,491,322,400 and total net assets amounted to RMB1,327,341,600. After valuation, total assets were RMB3,804,736,800, representing a decrease of RMB13,927,200 or 0.36% as compared with the original carrying value; the total liabilities amounted to RMB2,491,322,400 with no value added; net assets were RMB1,313,414,400, representing a decrease of RMB13,927,200 or 1.05% as compared with the original carrying value (details of the valuation conclusion are set out in the breakdown of valuation).

Summary table of the asset valuation results

Unit: RMB in ten thousands

Items		Carrying value	Appraised value	Change in value	Growth percentage %
		A	B	C=B-A	D=C/A×100%
1	Current assets	159,100.67	159,098.24	-2.42	0
2	Non-current assets	222,765.73	221,375.44	-1,390.30	-0.62
3	Held-to-maturity investment	10,000.00	10,000.00	-	-
4	Long-term receivables	20,273.06	20,273.06	-	-
5	Long-term equity investments	20,322.12	17,862.25	-2,459.88	-12.1
6	Fixed assets	52,356.76	53,571.76	1,215.00	2.32
7	Construction in progress	23,534.84	23,534.84	-	-
8	Fixed assets to be disposed of	144.7	-	-144.7	-100
9	Intangible assets	189.09	188.36	-0.73	-0.38
10	Long-term deferred expenses	2,875.59	2,875.59	-	-
11	Other non-current assets	93,069.58	93,069.58	-	-
12	Total assets	381,866.40	380,473.68	-1,392.72	-0.36
13	Current liabilities	125,488.09	125,488.09	-	-
14	Non-current liabilities	123,644.15	123,644.15	-	-
15	Total liabilities	249,132.24	249,132.24	-	-
16	Net assets (Owners' equity)	132,734.16	131,341.44	-1,392.72	-1.05

Factors affecting valuation conclusions

Disclosures about short-term borrowings and long-term borrowings included in the valuation are as follows:

- On 11 September 2015, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with the operation department of the headquarter of China Minsheng Banking Corporation Limited relating to a borrowing of RMB38,000,000 for a term of one year commencing from 11 September 2015 to 11 September 2016. The borrowing was pledged by a time deposit certificate in the amount of RMB40,000,000 of Guangdong Dadi Cinema Construction Limited placed in China Minsheng Banking Corporation Limited, Xichangan Jie Sub-branch.
- On 6 May 2016, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with China Everbright Bank Company Limited, Shenzhen Sub-branch relating to a borrowing of RMB100,000,000 for a term of one

year commencing from 6 May 2016 to 5 May 2017. On 1 June 2016, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with China Everbright Bank Company Limited, Shenzhen Sub-branch relating to a borrowing of RMB50,000,000 for a term of one year commencing from 1 June 2016 to 31 May 2017. Nan Hai Corporation Limited and 深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.*) entered into a maximum guarantee contract with China Everbright Bank Company Limited, Shenzhen Sub-branch respectively to provide guarantee for Guangdong Dadi Cinema Construction Limited.

3. During February to December 2012, Guangdong Dadi Cinema Construction Limited entered into nine contracts in relation to fixed asset loans with the Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch. As at the reference date of valuation, the balance of borrowings amounted to RMB12,403,250. Nan Hai Corporation Limited and The Peninsula Shenzhen Property Development Co., Ltd. (originally known as 深圳南海益田置業有限公司 Shenzhen Nanhai Yitian Realty Company Limited*) entered into a maximum guarantee contract with the Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch respectively to provide guarantee for Guangdong Dadi Cinema Construction Limited.
4. On 10 December 2015, Guangdong Dadi Cinema Construction Limited, 大地影院發展有限公司 (Dadi Cinema Development Limited*) and Hwabao Trust Co., Ltd. (華寶信託有限責任公司) entered into a trust loan contract relating to a borrowing with an aggregate amount of RMB1,130,000,000, in which Guangdong Dadi Cinema Construction Limited was provided with a borrowing in the amount of RMB862,000,000, for a term commencing from 16 December 2015 to 7 November 2018. As at the reference date of valuation, the borrowing drawn amounted to RMB819,344,600 and was pledged by securities of the collective trust fund plan and part of the future box office revenue of 80 cinemas operated by Guangdong Dadi Cinema Construction Limited.

The above matters are disclosed in this valuation, and the impact imposed by the foregoing matters on this valuation has not been considered.

The valuation results of this valuation report shall be valid for one year, from 31 August 2016 to 30 August 2017.

The contents above are all excerpted from the text of the asset valuation report. If you want to know more about the details of the valuation and reasonably understand the conclusion of the valuation, please read the text of the valuation report carefully.

**ASSET VALUATION REPORT IN RESPECT OF THE
ENTIRE SHAREHOLDERS' INTERESTS INVOLVED IN THE
PROPOSED EQUITY TRANSFER OF
GUANGDONG DADI CINEMA CONSTRUCTION LIMITED**

Huaxiajinxin Shenzhen Branch Valuation Report [2016] No. 11103

To 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited*),

Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch (天津華夏金信資產評估有限公司深圳分公司) accepted the engagement by Guangdong Dadi Cinema Construction Limited and conducted an assessment on the value of the entire shareholders' interests in respect of the proposed equity transfer of Guangdong Dadi Cinema Construction Limited in accordance with the relevant laws, regulations, asset valuation standards and asset valuation principles, adopting a fair asset appraisal method and following necessary appraisal procedures. The valuers have carried out on-site inspection, market research, enquiries and calculations in respect of all subject assets and liabilities under valuation in accordance with various national regulations relating to assets valuation in an objective, independent, fair and scientific manner. A fair market value of the entire shareholders' interests as at 31 August 2016 has been assessed. The asset valuation report and valuation conclusion are set out below:

I. PARTICULARS OF THE PRINCIPAL, THE APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT AS STIPULATED IN THE ENGAGEMENT LETTER

(I) Brief details of the principal and the appraised entity

1. Registered summary of the appraised entity

The principal and the appraised entity of this valuation is Guangdong Dadi Cinema Construction Limited.

Company name: Guangdong Dadi Cinema Construction Limited (referred to as "Guangdong Dadi")

Address: B412-16, Tian An Innovation Science and Technology Plaza, Chegongmiao, Shatou Street, Futian District, Shenzhen

Registration no.: 9144030079464312XY

Legal representative: Liu Rong

Registered capital: RMB1,146,427,999

Nature of enterprise: limited liability company (joint venture with partners from Taiwan, Hong Kong, Macau and Mainland China)

Date of establishment: 31 October 2006

Term of operation: from 31 October 2006 to 13 November 2038

Scope of operation: construction and alteration of cinemas, operation and management of cinemas (where license is required for operation, such operation shall be conducted in compliance with the relevant regulations of the State); design, production and placement of all kinds of domestic and overseas advertisements and agency services; conference services; development of technology, transfer of technology, technical consultation, technical services; information consultation, film and television consultation, cultural consultation, investment consultation, business consultation, enterprise marketing planning and management consultation; the following business shall be operated within cinemas only: film exhibition (permit shall be obtained for operation); sales of goods, sales of pre-packaged food, production and sales of food, including cold and hot drinks, popcorns and other snacks; snack bars(on-site production and sale), beverage stores (operated by the branches); sales of sparkling wine, cocktail, fruit wine, table wine, bottled low-alcoholic beverages; catering services; sales of healthcare food (without stores); production and sales of hot meals; production and sales of cold meals; production and sales of pastry; production and sales of homemade drinks; sales of accessory products of cinemas (without stores) (other than those prohibited by laws and regulations, operation shall be conducted in compliance with the relevant regulations of the State with regard to the commodities subject to quota and license management, special franchise management and industry permit, except for the commodities subject to the State-run trade management).

2. Shareholding Structure

The shareholding structure of Guangdong Dadi Cinema Construction Limited as at valuation date is as follows:

Name of Shareholders	Registered Capital (RMB in ten thousands)	Actual Paid-up Capital (RMB in ten thousands)	Proportion of Shareholding (%)
Dadi Cinema (HK) Limited	45,305.28	45,305.28	39.52
大地時代電影文化傳播(北京)有限公司 (Dadi Century Film Culture Media (Beijing) Company Limited*)	69,337.5199	69,337.5199	60.48
Total	114,642.7999	114,642.7999	100.00

3. Taxes

(1) Main tax categories and tax rates

Tax category	Tax base	Tax rate (%)
Value added tax (“VAT”)	Sales of products, laboring revenue, service revenue	3.00, 6.00, 17.00
Urban maintenance and construction tax	VAT, business tax amount payable	7.00
Education surcharge	VAT, business tax amount payable	3.00
Local education surcharge	VAT, business tax amount payable	2.00
Enterprise income tax	Taxable income amount	25.00

(2) Preferential tax policies and basis

Nil.

(II) Other users of this valuation report stipulated in the engagement letter

This valuation report shall only be used by Guangdong Dadi Cinema Construction Limited for realising the purposes of the valuation. Unless otherwise stipulated in the laws and regulations, there are no other users of this valuation report who are not related to the purposes of the valuation.

II. PURPOSE OF THE VALUATION

The purpose of this valuation is to provide a basis for reference regarding the entire shareholders’ interests involved in the proposed equity transfer by Guangdong Dadi Cinema Construction Limited.

Such valuation activity is based on an asset valuation operation agreement entered into between Guangdong Dadi Cinema Construction Limited and us.

III. SUBJECT AND SCOPE OF VALUATION

The subject of this valuation is the entire shareholders’ interests of Guangdong Dadi Cinema Construction Limited.

The scope of asset valuation covers all assets and liabilities as shown on the balance sheet of Guangdong Dadi Cinema Construction Limited as at 31 August 2016, the details of which are set out in the following table:

Unit: RMB

No.	Items	Carrying value
1	I. Total current assets	1,591,006,667.86
2	Monetary fund	524,316,343.25
3	Bill receivables	—
4	Trade receivables	166,631,959.83
5	Prepayments	170,280,124.23
6	Interest receivables	4,148,989.50
7	Other receivables	685,664,378.17
8	Inventories	21,423,525.29
9	Other current assets	18,541,347.59
10	II. Total non-current assets	2,227,657,313.89
11	Held-to-maturity investment	100,000,000.00
12	Long-term receivables	202,730,565.94
13	Long-term equity investments	203,221,217.27
14	Fixed assets	523,567,597.22
15	Construction in progress	235,348,403.10
16	Fixed assets to be disposed of	1,446,952.32
17	Intangible assets	1,890,881.90
18	Long-term deferred expenses	28,755,883.07
19	Deferred income tax assets	—
20	Other non-current assets	930,695,813.07
21	III. Total assets	3,818,663,981.75
22	IV. Total current liabilities	1,254,880,867.69
23	Short-term borrowings	188,000,000.00
24	Bill payables	—
25	Trade payables	73,891,771.55
26	Receipts in advance	127,890,725.92
27	Staff remuneration payable	699,275.70
28	Tax payable	15,010,102.77
29	Interest payable	29,931,763.64
30	Other payables	791,224,037.91
31	Non-current liabilities due within one year	—
32	Other current liabilities	28,233,190.20

No.	Items	Carrying value
33	V. Total non-current liabilities	1,236,441,527.54
34	Long-term borrowings	831,747,849.93
35	Long-term payables	404,693,677.61
36	VI. Total liabilities	2,491,322,395.23
37	VII. Net assets (owners' equity)	1,327,341,586.52

The above financial information has not been audited.

The subject and scope of valuation as designated by the principal are consistent with the subject and scope of valuation involved in the economic activity.

Our valuers have conducted necessary verifications of the completeness of the scope of valuation as reported by the appraised entity based on all tangible assets, intangible assets and liabilities undertaken reported and provided by the principal and the appraised entity. In the event of the existence of any assets and liabilities that are required but yet to be reported and incapable of being identified by our valuers, the valuation conclusion herein shall not be directly applied.

IV. TYPE AND DEFINITION OF VALUES

Considering factors including the assessment purpose, market conditions and assessed target of this engagement, there is no specific limitations and requirement on the adoption of market conditions and assessed targets. Market value is adopted as the assessment method for this assessment, specific definition as follows:

Market value represents the estimated amount for which the assessed target should exchange on the reference date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. REFERENCE DATE OF VALUATION

The reference date of this asset valuation was 31 August 2016. The reference date of valuation was determined by the nature of economic behaviours. To facilitate smooth progression of the valuation, three main aspects were considered: 1. Selecting time close to date of realisation of economic behaviours; 2. Availability of comprehensive auditing accounts data; and 3. Easy access of the relevant data.

VI. BASIS OF VALUATION

(I) Basis for the estimation of behaviour:

The asset valuation operation agreement entered into between Guangdong Dadi Cinema Construction Limited and us.

(II) Basis for law and regulation:

1. Company Law of the People's Republic of China;
2. Contract Law of the People's Republic of China;
3. Property Law of the People's Republic of China;
4. Accounting Standards for Enterprises issued by the Ministry of Finance on 15 February 2006;
5. Securities Law of The People's Republic of China;
6. Basis of other laws and regulations.

(III) Basis for valuation criteria:

1. Cai Qi [2004] No. 20 "Asset Valuation Standards — Basic Norms" and "Code of Ethics for Asset Assessment — Basic Guidelines";
2. Zhong Ping Xie [2012] No. 248 "Code of Ethics for Asset Valuation — Independence";
3. Zhong Ping Xie [2010] No. 121 "Internal Control Guidelines for Valuers";
4. Hui Xie [2003] No. 18 "Guidance and Advice Concerning The Legal Ownership of the Assessed Object for Registered Assets Appraisers" issued by the Chinese Institute of Certified Public Accountants;
5. Zhong Ping Xie [2007] No. 189 issued by the China Appraisal Society;
 - (1) "Standard for Assets Appraisal-Valuation Report";
 - (2) "Standard for Assets Appraisal-Valuation Procedure";
 - (3) "Standard for Assets Appraisal-Engagement Letter";
 - (4) "Standard for Assets Appraisal-Basis of Work";
 - (5) "Standard for Assets Appraisal-Equipment";
 - (6) "Guide Note for Type of Value of Assets Valuation".
6. Zhong Ping Xie [2010] No. 214 "Guidelines for Quality Control of Business of Assessment Firms" issued by the China Appraisal Society;
7. Zhong Ping Xie [2011] No. 227 "Standard for Assets Appraisal-Enterprise Value" issued by the China Appraisal Society;

8. Notice concerning “Standard for Assets Appraisal-Intangible Assets” published by the Ministry of Finance (Cai Hui [2001] No. 1051);
9. Zhong Ping Xie [2012] No. 244 “Standard for Assets Appraisal-Work with Experts”.

(IV) Basis for ownership:

1. Business licenses as legal entity of principal and the appraised entity;
2. “Vehicle Driving License of the People’s Republic of China”;
3. Invoices and transaction contracts of material acquisition of assets;
4. Other evidence in respect of the belonging of ownership of the assets.

(V) Pricing Basis:

1. On-site observation and record of valuers;
2. “Manual for common data and parameters in asset valuation” (2nd edition);
3. Financial statements as at 31 August 2016 provided by the appraised entity;
4. Price information of Equipment 2016 of 中國機械工業信息研究院 (China Machine Industry Information Institute*);
5. “Provisions on the Standards for Compulsory Retirement of Motor Vehicles” (Decree of Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection 2012 No. 12);
6. “Interim Regulation on Vehicle Purchase Taxes of the People’s Republic of China” (Decree of the State Council [2000] No. 294);
7. The latest “Statement of Lending Rate of the People’s Bank of China”;
8. Other pricing data and parameter data and other relevant information identified and collected by the valuers.

(VI) Other Information:

1. Breakdown of assets under inspection provided by the appraised entity;
2. Engagement letter on valuation of assets;
3. Other information related to the valuation of assets provided by the appraised entity.

VII. VALUATION METHOD

According to relevant requirements under the existing asset valuation system, registered assets valuers can conduct corporate valuation using three approaches, i.e. the income approach, market approach and assets approach.

(I) Introduction to income approach

Income approach for corporate valuation refers to the valuation approach to determine the value of the target through capitalization or discounts of estimated income of the assessed company.

The formula for income approach:

$$V = \sum_{i=1}^5 Ri (1 + r)^{-i} \pm (R6/r) (1 + r)^{-5}$$

V — present value of income from operating assets of company

Ri (i = 1-5) — estimated annual income of the company in the “i”th year

R6 — annual income of the company from the sixth year till infinite future

r — discount rate

(II) Introduction to market approach

Market approach for corporate valuation refers to the valuation approach to determine the value of the target through comparing the assessment target with comparable companies, companies with historical transactions in the market and equity assets including shareholders’ interests and securities.

(III) Introduction to assets approach

Assets approach for corporate valuation refers to the valuation approach to determine the value of the target based on reasonable assessment on asset values and liabilities of the company. The basic formula is:

Assessed value = Sum of valuation of each asset – sum of valuation of each liability

(IV) Choosing valuation method

As there is no cases of sales, acquisition and mergers of companies in the same or similar industry of the assessed company in the market, the market approach is not suitable for this assessment. While the income approach would involve more uncertainty and subjectivity, in consideration of the scope and purpose of this asset assessment and the data collected by the valuers, the assets approach has been adopted for this assessment to calculate the value.

VIII. IMPLEMENTATION PROCESS AND SITUATION OF THE VALUATION PROCEDURES

Upon acceptance of the engagement of asset valuation, we delegated valuers to form a team specialised for asset valuation to station at the target company on 26 September 2016 and commenced our assessment. The valuation report was issued on 11 November 2016. The specific processes are as follows:

(I) Ascertaining basic items of the valuation

The basic situation of the principal, appraised entity and other users of the valuation report other than the principal would be studied, and the purpose, target, scope of the assessment and material items including type of values and reference date of assessment would be ascertained. According to the specific situation of the assessed business, the valuer would comprehensively analyse and evaluate its own professional capability, independence and engagement risks and decide whether to accept the engagement.

(II) Signing engagement letter

The valuer accepted the engagement and signed engagement letter in respect of the asset valuation with the client.

(III) Preparing valuation proposals

The valuer delegated staff in charge of the project to form an assessment team. The team would determine the major tasks of the valuation, including specific procedures, schedules, staff arrangement and technical plans, and prepare a valuation proposal.

(IV) On-site investigation

The valuer would conduct appropriate on-site investigation on the assets under valuation in accordance with the specific situation of the assessed business. The valuer would compile inspection record by instructing the appraised entity to report on assets, verifying and assessing the reported data, examining and verifying the assets and understanding the conditions of legal ownership and economic situation of the assets and the technical conditions, usage, quality and wearing of the assets.

(V) Collecting data for the valuation

Registered assets valuer required the principal or the appraised entity to provide details on the assessed target and scope, and audited and verified the information provided by them. Fundamental data necessary for evaluating the business was collected through conducting investigation by enquiries, confirmations, examinations, supervision, inspections and checks, in order to understand the prevailing conditions of the assessed target. The legal ownership of the assessed target was inspected through reading relevant data, commencing market researches and price enquiries. Market information was collected from sources including data directly obtained from the market, data obtained

from relevant parties including the principal and the appraised entity, and data obtained from government departments, different professional institutions and other related authorities.

(VI) Estimation of the assessment

The data collected underwent necessary analysis, categorization and compilation to form a basis for the estimation of the assessment in accordance with the actual situation of the assessed business. Based on relevant conditions including the assessed target, type of value, collection of assessment data, the valuer analysed the suitability of different valuation methods, including the market approach, income approach and assets approach, and chose the appropriate valuation method. Relevant formula and parameters of the chosen method were selected and underwent analysis, calculation and determination to give preliminary conclusion. Integrated analysis was then conducted on the preliminary conclusion to form the final conclusion.

The valuation process of the assets approach

(1) Assessment of monetary fund

Monetary assets in this assessment include bank deposits and other monetary fund. For the assessment of bank deposits, valuer would check the daily balance and aggregated balance of the bank deposits with invoices and review the balance sheet of bank deposits prepared by the company under assessment. The bank deposit was then verified and the verified carrying value was then used as an assessment value. For the assessment of other monetary fund, the valuer would check the relevant contracts and agreements and verify the same. Should there be no disagreement and on the basis that the abovementioned data was verified, the verified carrying value would be used to confirm the assessment value.

(2) Trade receivables

For the assessment of trade receivables, the valuer enquired historical data of the company and inspected the particular condition of the trade receivables. Key aspects like outstanding amount, duration, reasons for its existence, recoverability and credit status of the debtor were analysed. Verifying the accounts of trade receivables primarily included sending inquiry letter, checking inter-companies current accounts and relevant contracts and agreements. Upon verification and understanding and based on the recent repayment history, company information and repayment ability of the debtor obtained, estimation on the risk of loss will be assessed on each item of trade receivables using the accounting method of bad debts. The assessed value will be ascertained after deducting the estimated risk of loss on each item of trade receivables.

(3) *Assessment of prepayment*

For the assessment of prepayment, the valuer would commence with the verification of the prepayment with the general account and the breakdown account, and to understand and analyze the details of the time, contents, amount and business transactions of each item. Written confirmation would be required for the debt unit with a larger balance. For the items of which the relevant goods could be recovered and laboring cost can be obtained, assessment would be made by the verified carrying amount.

(4) *Interest receivables*

For the assessment of interest receivables, the valuer carries out verification work based on the declaration forms for the inspection and valuation provided by the appraised entity, and checks the declaration forms for the inspection and valuation with book record. The valuer also collects and verifies relevant information such as borrowing agreements and certifications in order to find out their dates, maturity and interest rate etc.. Assessed value of the interest would be calculated by the agreed interest and number of days.

(5) *Other receivables*

For the assessment of other receivables, verification of each item of receivables and the reason of incurrence will be carried out in the first place. The valuer analyses different situation of the debtors such as their outstanding amount, time, and drawdown and repayment history of the amount, credit history of the debtors. Written confirmation would be required for the other receivables with a larger amount. Upon verification and understanding, estimation on the risk of loss will be assessed on each item of other receivables using the accounting method of bad debts. The assessed value will be ascertained after deducting the estimated risk of loss on each item of other receivables.

(6) *Assessment of inventory*

The inventory included in this assessment comprises the circulating materials in stock and finished goods. The valuer verifies the carrying value of assets based on the requirements of the assessment, and confirms its actual quantity with spot-check. The spot-check quantity for inventories should account for more than 70% of the total quantity, and the checked value should account for more than 60% of the total carrying value.

- (1) The circulating materials in stock mainly include projectors and accessories, prepaid cards, seats for cinema, etc. The valuer verifies the relevant accounting documents based on the inventory list provided by the company, conducts on-site stocktaking and inspection of the inventory to understand the inventory storage and internal control systems and carries out an inventory identification and classification appropriately. Upon verification and advised by the inventory management personnel of the

enterprise, we noted that there is no inventory obsolescence. The valuer has inquired the recent purchases and market price levels from the operational management personnel and material procurement personnel. As advised, the circulating materials in stock of the party under valuation circulate quickly with short reservoir age, and their carrying values are close to their prevailing market price, therefore, the verified carrying value is adopted as the appraised value.

- (2) The finished goods include the self-prepared food in cinema, purchased beverage and gifts, etc. The valuer verifies the carrying value of each finished goods based on the declaration forms for the inspection provided by the appraised entity, conducts an on-site random inspection to examine the storage and quality of finished goods.

The valuer understands that the finished products circulate quickly and the procurement dates of the majority of finished goods are close to the valuation date, and that their carrying unit prices are basically equal to their market price on the valuation date. Therefore, the valuer, on the basis of their account-account and account-statement verification, determines that the appraised value is actual cost of purchase.

(7) *Other current assets*

Other current assets mainly include rentals and property management expenses, utility charges, service charge, loss/gain on assets to be settled etc.

The valuer conducts verification through the review of the information such as the relevant documents, payment vouchers, etc. The valuer understood the entry, period-end measurement methods and terms of other current assets in order to confirm whether the value is authentic and reasonable. For the assets in the category of charges, the valuer, on the basis of their account-statement verification, determines that the appraisal value of the remaining rights or assets in the remaining beneficiary period using the cost method. For the assets to be settled (such as the inventory gain/loss), the appraisal value is nil based on the offset cost measurement under the financial procedure of the enterprise.

(8) *Held-to-maturity investments*

The carrying value of held-to-maturity investments in this valuation is RMB100,000,000.00 with no provision for impairment loss. The held-to-maturity investments are the credit purchases due on 21 November 2018. The valuer conducts an on-site stocktaking (or other procedures) to verify the account. There is no inconsistency in the verification under financial accounting system, therefore, the appraised value is the verified carrying value.

(9) Long term receivables

The long term receivables in this valuation mainly include the lease deposits of each cinema.

The valuer verified the general account and detail account in relation to the long term receivables reported firstly, conducts inspection, analysis and assessment in respect of the details, timing and amount of each receivable item and reasons for failure to be collected when due. Confirmation letters were issued in respect of debts with significant balances. The valuer made judgment on the probability of recovery and estimation on the risk and loss of each receivable item by using the accounting method for bad debt provisions. The appraised value shall be determined by the sum of each receivable item less the amount at risk.

(10) Assessment of long-term equity investments

There were 3 items of long-term equity investments in this valuation, including the amount invested in 大地影院發展有限公司 (Dadi Cinema Development Limited*) in September 2010, the amount invested in 時代廣告(北京)有限公司 (Century Advertising (Beijing) Limited) in July 2013, and the amount invested in 廣東自由人影城管理有限公司 (Guangdong iFree Cineplex Management Company Limited*) in December 2014. The investment proportions of the above are 100%. The valuer made an extended overall asset valuation on the investee by collecting and verifying its business licence, articles of association, capital verification report, audit report and financial statements, and took its net assets based on the valuation multiplied by the shareholding to determine the value of the long-term equity investment.

(11) Assessment of fixed assets

The fixed assets in this valuation are machinery and equipment, electronic devices, motor vehicles and construction-in-progress.

The fixed assets are mainly the assets in the category of equipment owned by the Company.

According to the “FIXED ASSETS — BREAKDOWN FOR EQUIPMENT VALUATION” (including machinery and equipment, motor vehicles and electronic devices) and “BREAKDOWN FOR CONSTRUCTION IN PROGRESS” provided by the company, the valuer conducted an on-site examination and random inspection in order to check whether the account was in line with the objects, review the information relating to vehicle licenses, purchase of equipment, completion acceptance documents of equipment, operation of equipment and construction contract, etc. The valuer collected the above information for appraisal from relevant personnel to verify the basic information of the machinery and equipment, motor vehicles and electronic devices under valuation, and made judgement on the technology of main equipment.

(1) Assessment of assets in the category of equipment

Cost method is adopted to assess the equipment. The cost method is defined as the method of using the existing replacement cost of the appraised assets minus various losses of value to determine the value of the assets being appraised. The formula of cost method is detailed as follows:

$$\text{Appraised value} = \text{Replacement cost} \times \text{Combined newness rate}$$

① Determination of the full replacement cost of equipment

Renewal and replacement cost is adopted in this valuation. The renewal and replacement cost refers to the cost of producing or creating new assets with the same functions using new materials at prevailing price according to modern standards, design and format.

Pursuant to the Provisional Regulations of the PRC concerning Value Added Tax (amendment) (《中華人民共和國增值稅暫行條例(修訂草案)》), since 1 January 2009, enterprises are allowed to offset value-added tax payable on newly purchased equipment, and the policies in relation to exemption from VAT for imported equipment and VAT refund for procuring domestically equipment by wholly foreign owned enterprise are cancelled. Since the enterprise under assessed is a general tax payer for VAT, VAT was not taken into the calculation of replacement cost. For the equipment purchased after 1 January 2009, the input tax of the product is deductible against output tax, therefore, its value is not included in the equipment cost. For the equipment purchased before 1 January 2009, according to the principle of substitutability in appraisal, as the investors can purchase new equipment with same functions in market, whose input tax being deductible against output tax, therefore, the replacement cost should be the amount excluding tax in the assessment for the equipment purchased before 1 January 2009.

For the domestic equipment with the market price on valuation date available, the replacement cost of the equipment should be determined by procurement price, plus transportation and miscellaneous costs, installation and commissioning fees, capital cost (being the reasonable capital cost incurred in installing large equipment with long installation period); for the domestic equipment without the market price, an analogy method should be adopted to find out and amend the price of similar equipment plus transportation and miscellaneous costs, installation and commissioning fees, to determine the replacement cost.

The formula is as follows:

$$\text{Replacement cost} = \text{Equipment procurement price} + \text{transportation and miscellaneous costs} + \text{installation and commissioning fees} + \text{capital cost.}$$

If the contract, on which the price is based, stipulates that the supplier should be responsible for transportation and installation (i.e. the charges for these services have already been taken into account in the procurement price), no transportation and installation costs is needed in calculation.

a. Transportation and miscellaneous costs

The transportation and miscellaneous costs include all expenses incurred in installation and removal, transporting the equipment from manufacturer to the installation site, such as expenses for loading, transportation, procurement and storage. The formula is detailed as follows:

$$\text{Transportation and miscellaneous cost} = \text{Equipment procurement price} \times \text{Transportation and miscellaneous cost rate}$$

b. Installation and commissioning fees

$$\text{Installation and commissioning fee} = \text{Equipment procurement price} \times \text{Installation and commissioning fee rate}$$

The installation and commissioning fee rate is determined based on the standard data in Latest Handbook of Commonly Used Data and Parameters in Asset Appraisal (《最新資產評估常用數據與參數手冊》) and the specifications of equipment.

For the equipment that does not require installation, no installation and commissioning fee is charged.

c. Capital costs

$$\text{Capital cost} = (\text{Equipment procurement price} + \text{Installation fees} + \text{Commissioning fee} + \text{Other costs}) \times \text{Capital cost rate}$$

No capital cost is considered in this valuation as the installation time of equipment under assessed is short.

The replacement cost for electronic devices includes: equipment amount, transportation and miscellaneous cost and installation and commissioning fee.

In determining the replacement cost for electronic devices, the valuer mainly considered the following factors:

- Vehicle price = the prevailing market price excluding tax;
- Procurement tax of vehicles = Vehicle price \times tax rate;
- Other costs: Miscellaneous fees including license fee.

Replacement cost = Vehicle price + Procurement tax of vehicles
+ Other costs

In which, vehicle price, being the prevailing market price excluding tax, is based on “the Notice of the MOF and the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries” (Caisui [2013] No. 37) (《財政部、國家稅務總局關於在全國開展交通運輸業和部份現代服務業營業稅改征徵增值稅試點稅收政策的通知》(財稅[2013]37號)): for the motorcycles, vehicles and yachts of a general payer of VAT for their own use which is subject to consumption tax, the input tax is deductible against the output tax. The deductible amount should be the amount of VAT stated in VAT invoices from the seller or provider (including the VAT invoices of cargo transportation business (貨物運輸業增值稅專用發票) and tax control motorcycle uniform invoices (稅控機動車銷售統一發票)). Accordingly, since 1 August 2013, if a general payer of VAT purchases motorcycles, vehicles and yachts, no matter for own use or not, the input tax in VAT invoices is deductible against the output tax.

② Determination of newness rate

Equipment newness rate refers to the integrated newness rate.

The integrated newness rate is determined by the weighted average newness rate over useful life and newness rate under observation.

i.e. Integrated newness rate = Newness rate over useful life × 40% +
Newness rate under observation × 60%

The formula of newness rate over useful life is:

Newness rate over useful life = Remaining useful life of equipment/
(Remaining useful life of equipment + Age of equipment) × 100%

Or: Newness rate over useful life = Remaining useful life of
equipment/(Total useful life of equipment) × 100%

In which: Remaining useful life of equipment = Total useful life of
equipment – Age of equipment

The newness rate is determined by using observation method: the valuer with expertise and extensive experience and professional technology personnel assess each part of the appraised asset (structure) from a technical perspective, inspect and analysis the deterioration of subject, and

consider the status of repair, maintenance and application on a consolidated basis to determine the newness rate under observation of the appraised asset.

In principle, for the asset which is functional, the newness rate shall not be lower than 15%.

For transportation vehicles, the newness rate is determined by the economic life and the travelled kilometers. The theoretical newness rate is based on the lower principle of newness rate over useful life and mileage newness rate, and combined the on-site investigation result to determine integrated newness rate. If the on-site investigation is close to the newness rate calculated by the lower principle, no adjustment will be made.

In which:

Newness rate over useful life for vehicles = (Remaining useful life/ Stipulated useful life) × 100%

Remaining useful life = Stipulated useful life – Serviced life

Vehicle travelled kilometers newness rate = (Remaining kilometers/ stipulated kilometers) × 100%.

Remaining kilometers = Total nation required travelled kilometers – travelled kilometers

③ Determination of appraised value

The formula is:

Appraised value = Total replacement cost × Integrated newness rate

(2) Assessment of construction in progress — civil works

There are 122 projects of construction in progress — civil works in total, mainly include the renovation in cinemas of the company. The valuer collects the construction contracts, the invoices of payment of construction costs and vouchers for the civil work to verify its reasonableness and accuracy, and confirm its authenticity with on-site inspection. Given that the civil works is still in progress, the appraised value is the verified carrying value.

(12) Assessment of the liquidation of fixed assets

The carrying value of liquidation of fixed-assets is RMB1,446,952.32. After review, the valuer noted that there is no inconsistency in account records and accounting documents. Based on the stocktaking carried by the valuer, the liquidation of fixed-assets is retired asset with no value in use. The appraised value is nil.

(13) Assessment of intangible assets — other intangible assets

Intangible assets — other intangible assets mainly include the amortized value of the software system for managing advertisement of digital cinemas, office software, anti-virus software, software system for reporting errors of Dadi cinema and financial system. The valuer verifies the business, billing method, duration, date of occurrence and amount through reviewing the relevant purchase contracts, agreements, etc. The appraised value is the verified carrying value. For the registration fees that do not match verification the conditions of intangible assets, its appraised value is nil.

(14) Assessment of long-term deferred expenses

The long-term deferred expenses mainly include the amortization charges of financial consulting fees and software license maintenance fee. The valuer verifies the business, billing method, duration, date of occurrence, amortization method and amount through reviewing the relevant contracts, agreements, etc. The appraised value is the verified carrying value.

(15) Other non-current assets

Other non-current assets mainly include the amortization charges of leased fixed asset improvement in cinemas. The valuer verifies the business, billing method, duration, date of occurrence, amortization method and amount through reviewing the relevant contracts, agreements, etc. The appraised value is the verified carrying value.

(16) Assessment of liabilities

The current liabilities in this valuation include current liabilities and non-current liabilities. Current liabilities include short-term borrowing, trade payables, advances, salaries payable, tax payable, interest payable, other payables and other current liabilities. Non-current liabilities include long-term borrowing and long-term payables. The valuer verifies the general account and detail account in relation to the liabilities reported firstly. The appraised value is determined as the verified carrying value according to the actual amount of liabilities assumed by the appraised party after the purpose of this appraisal achieved.

(VII) Preparation and submission of the Valuation Report

The certified asset valuer prepared the valuation report in accordance with the requirements of the relevant laws, regulations and assets appraisal standards, whereas the appraisal firm conducted internal audit necessary for preparing the valuation report and conducted the valuation procedures in accordance with the relevant laws, regulations, assets appraisal standards and internal quality control system.

Prior to the formal submission of the valuation report, necessary communication concerning the context of the valuation report has been conducted with the principal or the relevant party authorized by the principal under the prerequisite of not influencing the independent judgment of the final appraisal.

Upon completion of the abovementioned appraisal procedures, an valuation report is issued by the appraisal firm to which the certified asset appraiser belonged and the valuation report is submitted to the principal as required by the business engagement letter.

IX. VALUATION ASSUMPTIONS

- (I) Transaction assumption: this valuation report assumed that all assets for valuation are subject of a transaction in process, and the valuer has conducted valuation based on a simulated market constituted by the terms of the said transaction.
- (II) Open market assumption: this valuation report assumed that the markets to be entered by all assets for valuation were fully developed and comprehensive markets.
- (III) Going-concern assumption: this valuation report assumed that all assets for valuation are in use and will continue to be in use.
- (IV) Assumption of truth: this valuation report assumed that all information provided by the principal was true, legal and complete.
- (V) Assumptions relating to the appraisal procedures: in respect of the performance of detailed on-site inspection or, where the performance of on-site investigation is not practicable, the use of information which has not been confirmed by examination or which cannot be confirmed by examination, this valuation report assumed, in respect of the condition of such performance or the truthfulness of such information, the following:
 - 1. In respect of legal descriptions or legal matters pertaining to the appraised assets contained in this valuation report, the Company has conducted general inspection in accordance with requirements of the standards. Other than as disclosed in the working report, it is assumed that the assets under valuation have good titles and are tradable in the market.
 - 2. The Company assumed the credibility of information provided by the principal and the appraised entity on which all or part of the value appraisal conclusion contained in this valuation report are based, but we do not in any way warrant the truthfulness of such information.
 - 3. Save as disclosed in the valuation report, it is assumed that Guangdong Dadi Cinema Construction Limited has fully complied with prevailing national and local laws and regulations relating to land planning, land use, land occupation and the environment, as well as other relevant laws and regulations.

4. It is assumed that Guangdong Dadi Cinema Construction Limited will perform its obligations as an asset owner in a responsible manner and has competently exercised effective management of the assets concerned.
5. It is assumed that all improvements on all of the assets concerned made by Guangdong Dadi Cinema Construction Limited are in compliance with all relevant legal terms and other requirements in legal matters, planning or construction work stipulated by relevant competent authorities.
6. The relevant information about the company used in the assumptions of such appraisal are true, reliable and complete.
7. There are no significant changes in the relevant laws, regulations and guiding policies of the State currently in force and the macro-economic conditions of the State will not worsen.
8. There are no other material adverse impact resulting from unforeseeable circumstances and force majeure.
9. There will not be material changes to existing taxation laws involved in the estimations in this valuation report, while the tax rate for tax payable will remain unchanged. All applicable regulations and ordinances will be complied with.
10. There are no significant changes to the political, economic and social environment of the regions in which the parties to this transaction are located.
11. It is assumed, in the appraisal, that there are no material changes in loan interest rates, exchange rates, taxation bases and rates, and levies required by government policies on the appraised entity.

X. VALUATION CONCLUSIONS

As at 31 August 2016, the carrying value of total assets before valuation of Guangdong Dadi Cinema Construction Limited amounted to RMB3,818,664,000, total liabilities amounted to RMB2,491,322,400 and total net assets amounted to RMB1,327,341,600. After valuation, total assets were RMB3,804,736,800, representing a decrease of RMB13,927,200 or 0.36% as compared with the original carrying value; the total liabilities amounted to RMB2,491,322,400 with no value added; net assets were RMB1,313,414,400, representing a decrease of RMB13,927,200 or 1.05% as compared with the original carrying value (details of the valuation conclusion are set out in the breakdown of valuation).

Summary table of the asset valuation results

Unit: RMB in ten thousands

Items		Carrying value	Appraised value	Change in value	Growth percentage %
		A	B	C=B-A	D=C/A×100%
1	Current assets	159,100.67	159,098.24	-2.42	0
2	Non-current assets	222,765.73	221,375.44	-1,390.30	-0.62
3	Held-to-maturity investment	10,000.00	10,000.00	-	-
4	Long-term receivables	20,273.06	20,273.06	-	-
5	Long-term equity investments	20,322.12	17,862.25	-2,459.88	-12.1
6	Fixed assets	52,356.76	53,571.76	1,215.00	2.32
7	Construction in progress	23,534.84	23,534.84	-	-
8	Fixed assets to be disposed of	144.7	-	-144.7	-100
9	Intangible assets	189.09	188.36	-0.73	-0.38
10	Long-term deferred expenses	2,875.59	2,875.59	-	-
11	Other non-current assets	93,069.58	93,069.58	-	-
12	Total assets	381,866.40	380,473.68	-1,392.72	-0.36
13	Current liabilities	125,488.09	125,488.09	-	-
14	Non-current liabilities	123,644.15	123,644.15	-	-
15	Total liabilities	249,132.24	249,132.24	-	-
16	Net assets (Owners' equity)	132,734.16	131,341.44	-1,392.72	-1.05

XI. SPECIAL NOTES

The issues which might affect the valuation conclusions but the appraisal and estimation of which is beyond the professional competence and capacity of our appraisal officers have been identified in the course of appraisal as follows:

1. The reference to “appraised value” in this report represents our opinion of the fair value of the assets under appraisal in their existing use as an ongoing concern under the conditions and external economic environment prevailing on the reference date of valuation for the purposes set out in this valuation report.
2. The report is issued on the basis of relevant accounting information provided by the principal and the appraised entity. The principal and the appraised entity shall be accountable for the truthfulness, reliability and comprehensiveness of such relevant information. Relevant data adopted in this report are largely dependent on such information, and the valuation conclusions assume the truthfulness and completeness of such information. We disclaim any responsibility for any deviation in the valuation conclusions as a result of such information being erroneous or false. The valuation conclusions of this report is an objective and fair representation of the

appraised enterprise asset value as at the reference date of 31 August 2016, and we disclaim any responsibility for significant changes in such asset value subsequent to the benchmark date.

3. The appraisal has been conducted in an independent, objective, fair and scientific principle, while the appraisal conclusions have been issued by us, which is subject to the professional competence and capacity of the valuer participating in the project. Neither the Company nor any of the officers involved in the valuation have any special relationships of interests with the assets under assessed or relevant parties. The valuer has complied with professional ethical standards and performed their duties with their best effort.
4. For the purpose of this inspection, we have conducted a comprehensive checking of the primary equipment, key equipment of each system and all the detachable equipment permissible to an on-site inspection. Where an inspection is not permissible owing to limited conditions, the status is determined on the basis of checklists and drawings provided by the enterprise and briefing made by professional technical staff. Our opinions of equipment status are formed only based on the on-site inspection as well as the operating records and repair reports furnished by the enterprise without applying any testing instruments for the inspection of the equipment.
5. If subsequent events affecting the asset value, such as the damage or destruction of the assets under appraisal as a result of force majeure, occur after the reference date, the appraisal conclusions shall not be directly applied.
6. In the event of changes in the quantity of the assets within a valid period subsequent to the benchmark date, the asset amount shall be adjusted accordingly using the original appraisal method. In the event of changes in the standard of asset prices which have given rise to a significant impact on the appraised value of the assets, the principal shall appoint a valuation company to conduct a new valuation in a timely manner.
7. This valuation report provides values for reference solely for the appraisal purpose of this project, and may only be used by users expressly stated in the business engagement letter and shall not be used or relied upon by any third parties. The Company disclaims any responsibility for any improper use by any individuals or organizations in breach of this term.
8. Disclosures about short-term borrowings and long-term borrowings included in the valuation are as follows:
 - (1) On 11 September 2015, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with the operation department of the headquarter of China Minsheng Banking Corporation Limited relating to a borrowing of RMB38,000,000 for a term of one year commencing from 11 September 2015 to 11 September 2016. The borrowing was pledged by a time

deposit certificate in the amount of RMB40,000,000 of Guangdong Dadi Cinema Construction Limited placed in China Minsheng Banking Corporation Limited, Xichangan Jie Sub-branch.

- (2) On 6 May 2016, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with China Everbright Bank Company Limited, Shenzhen Sub-branch relating to a borrowing of RMB100,000,000 for a term of one year commencing from 6 May 2016 to 5 May 2017. On 1 June 2016, Guangdong Dadi Cinema Construction Limited entered into a working capital loan agreement with China Everbright Bank Company Limited, Shenzhen Sub-branch relating to a borrowing of RMB50,000,000 for a term of one year commencing from 1 June 2016 to 31 May 2017. Nan Hai Corporation Limited and 深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.*) entered into a maximum guarantee contract with China Everbright Bank Company Limited, Shenzhen Sub-branch respectively to provide guarantee for Guangdong Dadi Cinema Construction Limited.
- (3) During February to December 2012, Guangdong Dadi Cinema Construction Limited entered into contracts in relation to 9 fixed asset loans with the Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch. As at the reference date, the balance of borrowings amounted to RMB12,403,250. Nan Hai Corporation Limited and The Peninsula Shenzhen Property Development Co., Ltd. (originally known as Shenzhen Nanhai Yitian Realty Company Limited) entered into a maximum guarantee contract with the Industrial and Commercial Bank of China, Shenzhen Shekou Sub-branch respectively to provide guarantee for Guangdong Dadi Cinema Construction Limited.
- (4) On 10 December 2015, Guangdong Dadi Cinema Construction Limited, 大地影院發展有限公司 (Dadi Cinema Development Limited*) and Hwabao Trust Co., Ltd. (華寶信託有限責任公司) entered into a trust loan contract relating to a borrowing with an aggregate amount of RMB1,130,000,000, in which Guangdong Dadi Cinema Construction Limited was provided with a borrowing in the amount of RMB862,000,000, for a term commencing from 16 December 2015 to 7 November 2018. As at the reference date of valuation, the borrowing drawn amounted to RMB819,344,600 and was pledged by securities of the collective trust fund plan and part of the future box office income of 80 cinemas operated by Guangdong Dadi Cinema Construction Limited.

The above matters are disclosed in this valuation, and the impact imposed by the foregoing matters on this valuation has not been considered.

9. This report has been issued on the basis that documents evidencing asset ownership provided by the appraised entity are true, legal and valid, and the appraised entity shall be responsible for the truthfulness, lawfulness and validity of the documents evidencing asset ownership. The appraisal firm and registered asset appraisers have concerned themselves with the legal titles of the subject of appraisal as necessary and

examined information relating to the subject of appraisal and assets involved, but do not provide guarantee in any form in respect of the legal titles of the subject of appraisal.

10. Relevant tax and duties that might arise due to increase or decrease in the appraised asset value after the purpose of valuation has been achieved have not been considered in this valuation.
11. The original asset appraisal value of the equipment of Guangdong Dadi Cinema Construction Limited is exclusive of value-added tax in this valuation.
12. The estimated value set out in the valuation report is calculated based on the existing financial position of Guangdong Dadi Cinema Construction Limited as of 31 August 2016.
13. Unless agreed between the principal and the company in advance, neither the appraised entity nor any personnel undersigning this working report or involved in this valuation report shall be required to issue further consultation or testimony or to attend a court hearing or other legal proceedings in connection with this valuation report.
14. The valuation conclusions reflected in this valuation report are the current market values of all shareholders' equity determined on the basis of the purpose of the appraisal and the assumptions as disclosed in the report, without taking into consideration of the impact of liquidity on the appraised value, and the impact of premium or discount or arising from other factors such as controlling interests and minority interests and special transaction that may increase or decrease the price paid on the appraised value.

The attention of users of the report is drawn to the above issues.

XII. LIMITATIONS ON THE USE OF THE VALUATION REPORT

1. The valuation report may only be applied for the purpose and use of appraisal in the manner set out in the valuation report. The valuer of the project and the valuation company to which the valuer belonged disclaim any responsibility for any consequences caused by improper use by users of the valuation report.
2. The valuation report may only be used by users specified in the valuation report.
3. Extraction, citation or disclosure of the contents of the whole or part of the valuation report in any public media requires the review of the relevant contents by the valuation company, unless otherwise required by laws and regulations and agreed by the relevant parties.
4. The valuation conclusion of this report shall be valid for one year, from 31 August 2016 to 30 August 2017. A new asset valuation will have to be conducted afterward.

XIII. DATE OF THE VALUATION REPORT

This valuation report is dated 11 November 2016.

Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch Officer-in-charge of the appraisal firm

PRC registered asset appraiser

PRC registered asset appraiser

Shenzhen, China

* *For identification purposes only*

Annex:

1. Copies of a resolution in relation to the engagement of the valuers by Guangdong Dadi Cinema Construction Limited;
2. Copies of business license and identity card as legal entity of principal;
3. Copies of business license of the appraised entity;
4. Copies of the financial statements of the appraised entity as at the valuation benchmark date;
5. Long-term equity investments — copies of business license of the investee and the breakdown table of asset valuation;
6. Copies of vehicle driving license of the People's Republic of China;
7. Copies of letters of undertaking from the principal and the appraised entity;
8. Copies of letters of undertaking from the signing registered asset appraiser;
9. Qualification certificates on valuation of assets of Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch;
10. Copies of business license of Tianjin Huaxiajinxin Assets Appraisal Company Limited, Shenzhen Branch;
11. Qualification certificates of the signing PRC registered asset appraiser;
12. Business engagement letter on valuation of assets.

I. 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 not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests

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 and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company

Long position in Shares in issue

Name of Director	Number of Shares of HK\$0.01 each			Total interest	Approximate percentage holding
	Personal interest	Corporate interest	Family interest		
Yu Pun Hoi ("Mr. Yu")	—	36,622,130,679 ⁽¹⁾	—	36,622,130,679	53.35%
Chen Dan	32,000,000	—	—	32,000,000	0.05%

Note:

- These 36,622,130,679 Shares were collectively held by Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly-owned by Mr. Yu through Dadi Holdings Limited, a company wholly-owned by Mr. Yu.

Interests in Associated Corporations — Sino-i

As disclosed above, Mr. Yu is entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares of the associated corporations of the Company within the meaning of Part XV of the SFO. Sino-i is a company whose shares are listed on the Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at the Latest Practicable Date, the interests of the Directors in shares and underlying shares of Sino-i were as follows:

Long position in shares in issue of Sino-i

Name of Director	Number of shares			Total interest	Approximate percentage holding
	Personal interest	Corporate interest	Family interest		
Mr. Yu	—	12,829,015,316 ⁽¹⁾	—	12,829,015,316	64.42%
Lung King Cheong	150,000	—	—	150,000	0%

Note:

- These 12,829,015,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

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

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interests in the Company

Name of person holding an interest in Shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Capacity/Nature of interest	Number of Shares held (long position)	Approximate percentage holding
Dadi Holdings Limited	Corporate interest	36,622,130,679 ⁽¹⁾	53.35%
Rosewood Assets Ltd.	Beneficial interest	7,680,000,210 ⁽¹⁾	11.19%
Pippen Limited	Beneficial interest	14,830,245,497 ⁽¹⁾	21.60%
Staverley Assets Limited	Beneficial interest	4,893,197,974 ⁽¹⁾	7.12%
First Best Assets Limited	Beneficial interest	9,218,686,998 ⁽¹⁾	13.43%
Kung Ai Ming	Corporate interest	4,119,216,898 ⁽²⁾	6.00%
Yu Ben Hei	Corporate interest	4,049,893,498 ⁽²⁾	5.90%
Macro Resources Ltd.	Beneficial interest	4,049,893,498 ⁽²⁾	5.90%
Lim Siew Choon	Corporate interest	8,819,673,777 ⁽³⁾	12.85%
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997 ⁽³⁾	8.03%
Lee Tat Man	Security interest	7,700,000,000	11.22%
Lee Tat Man	Beneficial interest	28,200,000	0.04%

Notes:

- Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited are companies indirectly wholly-owned by Mr. Yu through Dadi Holdings Limited, a company wholly-owned by Mr. Yu. Their interests in shares are disclosed as the corporate interests of Mr. Yu above.
- Macro Resources Ltd. is held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu. Its interest in 4,049,893,498 shares was included as interest held by Ms. Kung Ai Ming. Ms. Kung Ai Ming owns interest of 69,326,400 shares through Redmap Resources Limited, her wholly-owned company.
- Empire Gate Industrial Limited is wholly-owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Interests in other members of the Group

Name of shareholder (other than a member of the Group) who is interested in 10% or more of the subsidiary of the Company	Name of the company in which interests or short positions were held	Number of shares or extent of interest directly held in the subsidiary of the Company	Approximate percentage of issued registered share capital or registered capital of the subsidiary of the Company
西部電影集團有限公司 (Western Movie Group Co., Ltd.*)	陝西西影大地影院建設有 限公司 (Shaanxi Xi Ying Dadi Cinema Construction Limited*)	RMB9,000,000	30%
內蒙古新華發行集團股份 有限公司 (Inner Mongolia Xinhua Distribution Group Co., Ltd*)	內蒙古大地新華影院建設 有限公司 (Inner Mongolia Dadi Cinema Construction Limited*)	RMB2,000,000	20%
李楓 (Li Feng)	深圳市翠籙科技綠化工程 有限公司 (Shenzhen Cuilu Science & Technology Greening Engineering Co., Ltd.*)	RMB1,000,000	25%
CITIC Real Estate (Hong Kong) Development Limited	Listar Properties Limited	5,400,000 shares	27%
Orange Blossom Limited	CE Holdings Limited	34,274,848 shares	30%

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

III. PENDING LITIGATIONS

- (a) In respect of the purported sale of 74,889,892 shares of Acesite (Philippines) Hotel Corporation Inc. (“**Philippines Shares**”), which were mortgaged by Acesite Limited (“**Acesite**”), by a Filipino bank namely Banco de Oro Unibank Inc. (formerly known as Equitable PCI Bank Inc.) (“**Banco Unibank**”) to Waterfront Philippines Inc. (“**Waterfront**”), a Filipino company, in February 2003, Acesite, a former subsidiary

of Sino-i, a listed subsidiary of the Company; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu, the chairman and executive director of both the Company and Sino-i; and South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against Banco Unibank and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 (“**Case**”). The Case is still in progress and no date has been fixed for trial.

- (b) Dadi Media Limited (“**Dadi Media**”), a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of 數碼慧谷置業管理股份有限公司 (Digital Huigu Property Management Co., Ltd.*) (formerly known as CE Dongli Technology Group Company Limited), a subsidiary of Sino-i, for the sum of HK\$27,750,498 together with interest thereon and costs in May 2004 under High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against China Enterprise ASP Limited (“**CE ASP**”), a wholly-owned subsidiary of Dadi Media, under High Court Number HCA2892 of 2004, for (1) the sum of HK\$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK\$13,000; and (4) interest and costs. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

The Group, after discussions with legal advisors, considered that the above litigations would not incur a material outflow of resources.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

IV. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

V. DIRECTORS’ INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which competed or might compete with, either directly or indirectly, the business of the Group as required to be disclosed pursuant to the Listing Rules.

VI. DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interests, either directly or indirectly, in any assets which had been, since 31 December 2015 (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.

VII. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENT OF SIGNIFICANCE

On 1 January 2014, 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited*) (“**Oristar**”) and 廣東大地電影院線股份有限公司 (GD Cinema Circuit Company Limited*) (formerly known as “廣東大地電影院線有限公司 (GD Cinema Circuit Limited*)”) (“**GD Cinema Circuit**”) entered into the Oristar Cooperation Agreement, pursuant to which Oristar shall use its reasonable endeavours to provide the projection equipment (a projection device and an SMS projection server system) (or any part of it) (including installation and training) to GD Cinema Circuit upon fulfillment of certain conditions for coping with its business development during a fixed term of six (6) years, from 1 January 2014 to 31 December 2019.

On 1 January 2015, Guangdong Dadi and GD Cinema Circuit entered into the Dadi Cinema Cooperation Agreement, pursuant to which GD Cinema Circuit shall (1) supply various motion pictures and license Guangdong Dadi to project such motion pictures in its digital cinemas in the PRC; and (2) provide Guangdong Dadi (i) advisory services in respect of interior design and operations of each of its digital cinemas and (ii) various analyses, for a fixed term of five (5) years, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. a total period of six (6) years, from 1 January 2015 to 31 December 2020. Guangdong Dadi shall give priority to GD Cinema Circuit in respect of publication of advertisements in the cinemas of Guangdong Dadi (i.e. it will be an income for Guangdong Dadi) on the condition that the terms and conditions offered by GD Cinema Circuit are at least the same as those offered by other clients of Guangdong Dadi.

On 1 January 2015, 大地影院發展有限公司 (Dadi Cinema Development Limited*) (“**Dadi Development**”) and GD Cinema Circuit entered into the Dadi Development Cooperation Agreement on 1 January 2015, pursuant to which GD Cinema Circuit shall (1) supply various motion pictures and license Dadi Development to project such motion pictures in its digital cinemas in the PRC; and (2) provide Dadi Development (i) advisory services in respect of interior design and operations of each of its digital cinemas and (ii) various analyses, for a fixed term of five (5) years, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. a total period of six (6) years, from 1 January 2015 to 31 December 2020. Dadi Development shall give priority to GD Cinema Circuit in respect of publication of advertisements in the cinemas of Dadi Development (i.e. it will be an income for Dadi Development) on the condition that the terms and conditions offered by GD Cinema Circuit are at least the same as those offered by other clients of Dadi Development.

On 19 August 2015, Ms. Liu Rong (an executive Director) (1) acquired 80% of 大地時代文化傳播(北京)有限公司 (Dadi Century Culture Media (Beijing) Company Limited*) (“**Dadi Century Beijing**”) which directly owns 85% equity interest of GD Cinema Circuit; and (2) gained an effective control of 15% equity interest of GD Cinema Circuit through a partnership enterprise which is an associate of Ms. Liu Rong. Given the foregoing, Ms. Liu Rong has gained control in GD Cinema Circuit, and each of Dadi Century Beijing and GD Cinema Circuit has become an associate of Ms. Liu Rong pursuant to the Listing Rules. As such, Ms. Liu Rong became interested in the Oristar Cooperation Agreement, the Dadi Cinema Cooperation Agreement and the Dadi Development Cooperation Agreement.

Please refer to the section “Continuing Connected Transactions” in the Report of the Directors of the 2015 annual report of the Company for further details.

Save as disclosed above, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

VIII. EXPERTS

The following are the qualifications of the experts who have given opinion and advice which are contained in this circular:

Name	Qualifications
Tianjin Huaxiajinxin	PRC registered asset appraiser, a specialised asset appraisal institution with specific qualifications in the securities business granted by the Ministry of Finance and China Securities Regulatory Commission
VBG Capital	a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Tianjin Huaxiajinxin and VBG Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its reports (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Tianjin Huaxiajinxin and VBG Capital was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, disposed of by, or leased to any member of the Group, since 31 December 2015, the date to which the latest audited financial statements of the Group was made up.

IX. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

X. GENERAL

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business in Hong Kong is at 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Chiu Ming King who currently serves as the Head of Corporate Services of Vistra Corporate Services (HK) Limited. Mr. Chiu is a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (d) In any event of inconsistency, the English version of this circular (save for the Valuation Report) shall prevail over the Chinese version to the extent of such inconsistency.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Equity Transfer Agreement, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the Valuation Report prepared by Tianjin Huaxiajinxin and this circular will be available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular.

* *For identification purpose only*