



International Valuation Limited
國際評估有限公司

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Date: 27 November 2015

The Board of Directors
Shihua Development Company Limited
Rooms 05-15, 13A/F., South Tower
World Finance Centre, Harbour City
17 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value various properties in which Shihua Development Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 September 2015 (referred to as the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

We have valued the property interests on market basis and the direct comparison method is adopted where comparison based on comparable sales evidence is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

In valuing the property interests, which are subject to tenancies, we have also adopted the investment method on the basis of capitalization of the net rental incomes with due allowance for reversionary income potential, which is based on the market rental (as at the valuation date). No projection of the growth of future rental is made. The direct comparison method is also adopted in estimating the values of their reversionary interest (if any).

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the Company's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the developments.

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. According to the legal opinion regarding the property interests by the Company's PRC legal adviser, the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. According to the legal opinion regarding the property interests by the Company's PRC legal adviser, the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TAX LIABILITY

There may be potential tax liability which would arise if the property interests were to be sold. Should disposal of the property interests located in the PRC in our report be conducted, as advised by the Company, the potential tax liabilities arising may include business tax (5% on the net of transaction amount less original acquisition price), urban construction tax (7% of business tax), education tax (3% of business tax), local government education tax (2% of business tax), stamp duty (0.05% on transaction amount), land appreciation tax (30% to 60% on the net appreciated amount less deductibles), corporate income tax (25% on net profit upon disposal), riverbank protection tax (0.1% of transaction amount) and commodity price adjustment fund (0.25% of transaction amount). Yet, unless and until completion of disposal of the property interests, the amount of the tax liabilities would not be quantifiable or crystallized. The Company has further confirmed that the Company has no plan nor intention to dispose of the properties.

TITLE INVESTIGATION

We have been shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Liaoning Yandong Law Office (遼寧燕東律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the properties was carried out in October 2015 by Mr. Joseph Fung, who has over 5 years' experience in valuation of properties in the PRC.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

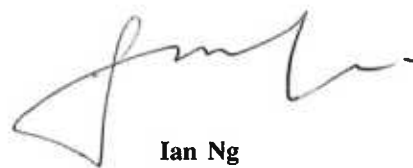
This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
International Valuation Limited



Ian Ng
MHKIS RPS(GP)
General Manager – Real Estate

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property	Market Value in Existing State as at 30 September 2015 RMB
Property interests held by the Group for investment in the PRC	
1 Various Commercial Spaces of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華·美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, the PRC	No Commercial Value (Please see Note below)
2 A parcel of land (Lot No. 210504005003G B00072) and building located at Digong Road, Mingshan District, Benxi City, Liaoning Province, the PRC	No Commercial Value (Please see Note below)

Note: We have attributed no commercial value to the properties as the Group has not obtained the relevant title certificates.

VALUATION CERTIFICATE

Property interests held by the Group for investment in the PRC

Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 September 2015																		
1	<p>Various Commercial Spaces of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華·美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, the PRC</p> <p>Shihua Meilan City is a mixed development comprising a parcel of land with a total site area of approximately 92,200 sq.m. to be built upon commercial podium together with various residential blocks.</p> <p>The property is situated on Guangyu Road in Pingshan District of Benxi City. Developments in the vicinity are mainly private residential, commercial and community facilities developments. Shopping facilities are to be provided within the development.</p> <p>The property comprises commercial spaces on the podium with a total gross floor area of approximately 23,700.06 sq.m. scheduled to be completed in second quarter of 2016. The area breakdown of the property is listed below:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Gross Floor Area <i>Approx (sq.m.)</i></th> </tr> </thead> <tbody> <tr> <td>Basement Level 3</td> <td style="text-align: right;">132.00</td> </tr> <tr> <td>Basement Level 1</td> <td style="text-align: right;">17,620.41</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">2,257.48</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">1,222.01</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">1,222.01</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">1,222.01</td> </tr> <tr> <td>Roof Level</td> <td style="text-align: right;"><u>24.14</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>23,700.06</u></u></td> </tr> </tbody> </table>	Portion	Gross Floor Area <i>Approx (sq.m.)</i>	Basement Level 3	132.00	Basement Level 1	17,620.41	Level 1	2,257.48	Level 2	1,222.01	Level 3	1,222.01	Level 4	1,222.01	Roof Level	<u>24.14</u>	Total:	<u><u>23,700.06</u></u>	<p>The property is currently under construction.</p>	<p>No Commercial Value</p>
Portion	Gross Floor Area <i>Approx (sq.m.)</i>																				
Basement Level 3	132.00																				
Basement Level 1	17,620.41																				
Level 1	2,257.48																				
Level 2	1,222.01																				
Level 3	1,222.01																				
Level 4	1,222.01																				
Roof Level	<u>24.14</u>																				
Total:	<u><u>23,700.06</u></u>																				
<p>The land use rights of the property were granted for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.</p>																					

Notes:

- (1) Pursuant to a State-owned Land Use Rights Grant Contract dated 19 July 2007 entered into between Benxi City Bureau of Land and Resources (本溪市國土資源局) and Liaoning Shihua (Group) Property Development Company Limited (遼寧賀華(集團)房地產開發有限公司), a connected party which owns 37.18% of shares of the Company, the land use rights of a parcel of land with a site area of approximately 92,200 sq.m. were contracted to be transferred to Liaoning Shihua (Group) Property Development Company Limited for terms of 70 years for residential use at a land premium of RMB52,000,000.
- (2) Pursuant to a State-owned Land Use Rights Certificate—Ben Guo Yong (2010) Di No. 85 (本國用(2010)第85號) issued by Benxi City Bureau of Land and Resources dated 23 November 2010, the land use rights of a parcel of land (Land Lot No. 051-05-1-42), which forms part of the land parcel as mentioned in Note 1 above, with a site area of approximately 19,400 sq.m. were granted to Liaoning Shihua (Group) Property Development Company Limited for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.
- (3) Pursuant to a Construction Land Use Planning Permit – No. 2007-48 (編號2007-48) issued by Benxi City Urban-Rural Planning and Construction Committee (本溪市城鄉規劃建設委員會) dated 28 August 2007, Liaoning Shihua (Group) Property Development Company Limited was approved to develop a parcel of land with an area of approximately 92,200 sq.m. for a project known as Xinglong Xinghua Redevelopment Project (興隆, 興華街改造項目).
- (4) Pursuant to a Construction Project Planning Permit – No. 2010-25 (編號2010-25) issued by Benxi City Urban-Rural Planning and Construction Committee dated 31 May 2010, the construction works of the Xinglong Xinghua Redevelopment Project of Liaoning Shihua (Group) Property Development Company Limited with a total gross floor area of approximately 232,650 sq.m., including the property with a gross floor area of approximately 23,700.06 sq.m., were approved.
- (5) Pursuant to a Construction Works Commencement Permit – No. 210502201005310014001 (編號210502201005310014001) issued by Benxi City Urban-Rural Planning and Construction Committee dated in May 2010, Liaoning Shihua (Group) Property Development Company Limited was approved to commence construction works of the Xinglong Xinghua Redevelopment Project with a total gross floor area of approximately 232,650 sq.m.
- (6) Pursuant to a lease agreement dated 12 June 2014 entered into between Liaoning Shihua (Group) Property Development Company Limited and Wal-Mart (Liaoning) Stores Co., Ltd., portions of the property with a total gross floor area of approximately 14,643 sq.m. is to be leased to Wal-Mart (Liaoning) Stores Co., Ltd. for commercial use for a term of 20 years commencing in April 2016 with the option to renew at a rental inclusive of property management service fee but exclusive of utility charges. The rental payable under the lease agreement will be RMB22/sq.m./month for the first year and subject to increase of three per cents for every two years.
- (7) The major certificates and permits of the property are summarized as follows:
 - (i) State-owned Land Use Rights Grant Contract Yes
 - (ii) State-owned Land Use Rights Certificate Yes
 - (iii) Construction Land Use Planning Permit Yes
 - (iv) Construction Project Planning Permit Yes
 - (v) Construction Works Commencement Permit Yes

- (8) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
- (i) Liaoning Shihua (Group) Property Development Company Limited legally owns the property and is entitled to freely lease, use, transfer, mortgage and dispose of the property;
 - (ii) The land premium has been paid in full;
 - (iii) Liaoning Shihua (Group) Property Development Company Limited has obtained approvals from the relevant government authorities for the construction of the property, which is legal and valid;
 - (iv) The property is not subject to a mortgage; and
 - (v) Pursuant to a sale and purchase agreement, Liaoning Shihua (Group) Property Development Company Limited has sold the property to the Group and the transaction has been completed; and
 - (vi) The Group now owns the property and has no legal impediment in obtaining title certificate of the property.
- (9) We have attributed no commercial value to the property as the Group has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the market value of the property in existing state, assuming that the relevant title certificates have been obtained and the property is freely disposed of in the market, as at the Valuation Date, would be RMB165,000,000. As advised, the title certificate is expected to be obtained in the second quarter of 2016.
- (10) As advised by the Company, the construction cost incurred in relation to the development of the property was approximately RMB188,773,000 as at the Valuation Date. The estimated outstanding construction cost to complete the property was approximately RMB5,000,000.
- (11) For reference purpose, the market value of the property as if completed, as at the Valuation Date, was RMB170,000,000.
- (12) There is no material conditions affecting the development of the property and no conditions imposed on the construction of roadways, pathways, drainage, sewage and other facilities or services for public which are material.
- (13) There is no plan for improvement or re-development of the property and no environmental issues relating to the property, such as breach of environmental regulations happens.
- (14) There is no notices, pending litigation, breaches of law or title defects against the property.

VALUATION CERTIFICATE

Property interests held by the Group for investment in the PRC

Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 September 2015
2	<p>A parcel of land (Lot No. 210504005003G B00072) and building located at Digong Road, Mingshan District, Benxi City, Liaoning Province, the PRC</p> <p>The property comprises a parcel of land with a site area of approximately 3,335 sq.m. together with a 17-storey commercial building plus two basement floors with a total gross floor area of approximately 17,788.58 sq.m. erected upon.</p> <p>The property is situated on Digong Road in Mingshan District of Benxi City. Developments in the vicinity are mainly private residential and commercial developments.</p> <p>As advised by the Group, the building will be renovated and scheduled to be completed in second quarter of 2016.</p> <p>The land use rights of the property were granted for terms expiring on 21 July 2051 and 21 July 2081 for commercial and residential uses respectively.</p>	The property is currently vacant.	No Commercial Value

Notes:

- (1) Pursuant to a State-owned Land Use Rights Grant Contract dated 22 July 2011 entered into between Benxi City Bureau of Land and Resources (本溪市國土資源局) and Benxi Xincheng Property Development Company Limited (本溪鑫城房地產開發有限公司), an independent third party of the Company, the land use rights of a parcel of land with a site area of approximately 108,200 sq.m., which the property forms part, were contracted to be transferred to Benxi Xincheng Property Development Company Limited for terms of 40 years and 70 years for commercial and residential uses respectively at a land premium of RMB609,000,000.

- (2) Pursuant to a State-owned Land Use Rights Certificate – Ben Guo Yong (2013) Di No. 073 (本國用(2013)第073號) issued by Benxi City Bureau of Land and Resources dated 24 December 2013, the land use rights of a parcel of land with a site area of approximately 3,335 sq.m. were granted to Benxi Xincheng Property Development Company Limited for terms expiring on 21 July 2051 and 21 July 2081 for commercial and residential uses respectively.
- (3) Pursuant to a Construction Land Use Planning Permit – Di Zi Di No. 210504201400002 (地字第210504201400002號) issued by Benxi City Urban-Rural Planning and Construction Committee (本溪市城鄉規劃建設委員會) dated 8 January 2014, Benxi Xincheng Property Development Company Limited was approved to develop a parcel of land with an area of approximately 3,335 sq.m. for commercial and residential uses.
- (4) Pursuant to a Construction Project Planning Permit–Jian Zi Di No. 210504201400005 (建字第210504201400005號) issued by Benxi City Urban-Rural Planning and Construction Committee dated 8 January 2014, Benxi Xincheng Property Development Company Limited was approved the construction works of a commercial and office project with a total gross floor area of approximately 17,788.58 sq.m.
- (5) Pursuant to a Construction Works Commencement Permit – No. 210504201305160301 issued by Benxi City Urban-Rural Planning and Construction Committee dated 16 May 2013, Benxi Xincheng Property Development Company Limited was approved to commence construction works of commercial projects, which the property forms part, with a total gross floor area of approximately 76,671.61 sq.m.
- (6) The major certificates and permits of the property are summarized as follows:
- | | | |
|-------|--|-----|
| (i) | State-owned Land Use Rights Grant Contract | Yes |
| (ii) | State-owned Land Use Rights Certificate | Yes |
| (iii) | Construction Land Use Planning Permit | Yes |
| (iv) | Construction Project Planning Permit | Yes |
| (v) | Construction Works Commencement Permit | Yes |
- (7) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
- (i) Benxi Xincheng Property Development Company Limited legally owns the property and is entitled to freely lease, use, transfer, mortgage and dispose of the property subject to the prior consent from the mortgagee;
- (ii) The land premium has been paid in full;
- (iii) The property is subject to a mortgage in favour of Bank of China–Benxi Branch (中國銀行股份有限公司本溪分行);
- (iv) Benxi Xincheng Property Development Company Limited has obtained approvals from the relevant government authorities for the construction of the property, which is legal and valid;
- (v) The property is subject to a sale and purchase agreement in favour of the Group; and
- (vi) Provided that the mortgage has been released and the acquisition of the property has been completed, the Group has no legal impediment in obtaining title certificate of the property.

- (8) We have attributed no commercial value to the property as the Group has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the market value of the property in existing state, assuming that the relevant title certificates have been obtained and the property is freely disposed of in the market, as at the Valuation Date, would be RMB120,000,000. As advised, the title certificate is expected to be obtained in the second quarter of 2016.
- (9) As advised by the Group, the cost of renovation to be expended on the property is approximately RMB27,000,000.
- (10) There is no material conditions affecting the development of the property and no conditions imposed on the construction of roadways, pathways, drainage, sewage and other facilities or services for public which are material.
- (11) There is no environmental issues relating to the property, such as breach of environmental regulations happens.
- (12) There is no notices, pending litigation, breaches of law or title defects against the property.