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Dear Sirs,

**RE: NOS. 20-22 CHIGANG WEST ROAD, HAIZHU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")**

In accordance with the instructions from New City Development Group Limited (hereinafter referred to the "Company") for us to value the Property held by Guangdong Changliu Investment Co., Ltd. (廣東暢流投資有限公司) ("Guangdong Changliu"), which is a wholly-owned subsidiary of the Company, and situated in the People's Republic of China (the "PRC") on the following assumptions, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 May 2015 (the "valuation date") for circular purpose.

- (i) the west side of the land of the Property with a site area of approximately 13,540.00 square meters and the buildings erected thereon with a total gross floor area of approximately 33,941.38 square meters are to be resumed by the government (the "Resumption Portion"). The resumption amount estimated by the Company is RMB8,000 per square meter on gross floor area, which has been taken into account in undertaking our valuation; and
- (ii) the east side of the land of the Property with a site area of approximately 13,540.00 square meters with a permissible gross floor area of approximately 79,886.00 square meters can be redeveloped under the "Three Oldies Reform Area" based on the consultation report provided by the Company for commercial

services and finance uses (the “Redevelopment Portion”). The land premium to be payable for change of land use from industrial to commercial services and finance as estimated by the Company is approximately RMB433,000,000, which has been taken into account in undertaking our valuation.

In response to the Company’s specific instruction on the valuation of the Property, we have considered the legal opinion dated 23 June 2015 issued by the PRC’s legal adviser to the Company, Zheng Bang Law Firm (廣東政邦律師事務所)(“PRC Legal Advisor”).

### **Basis of Valuation**

Our valuation of the Property represents our opinion of the aggregate value of the supplied compensation amount payable for the Resumption Portion with a gross floor area of approximately 33,941.38 square meters and the market value of the Redevelopment Portion taking into account the supplied land premium to be payable for the change of land use from industrial to commercial services and finance. Details of the Resumption Portion and the Redevelopment Portion of the Property are described in the valuation certificate enclosed herewith.

As advised by the Company, the estimated compensation amount payable by the government for the Resumption Portion of the Property is calculated as follows:

#### **Gross Floor Area x Unit Rate in existing use**

As advised by the Company, pursuant to Company’s previous communication and negotiation with local authority, a unit rate of RMB8,000 per square meter will be adopted in calculating the compensation amount to be payable by Guangzhou Government and the compensation amount is approximately RMB272,000,000, which has been taken into account in undertaking our valuation.

Unless otherwise stated, our valuation is our opinion of the market value of the property concerned 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”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as The Codes on Takeovers and Mergers and Shares Buy-backs published by The Securities and Futures Commission, and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

## **Property Categorization and Valuation Methodology**

The Property is held by Guangdong Changliu for future development. In the course of our valuation, we have adopted the direct comparison approach by making reference to the comparable market transactions assuming sale with vacant possession and have taken into account the relevant benchmark land prices published by the relevant government authorities and the compensation amount as estimated by the Company.

## **Title Investigation**

We have been provided with copies of title documents relating to the Property. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion dated 23 June 2015 issued by the PRC legal adviser to the Company, Zheng Bang Law Firm, regarding the title to the Property in the PRC.

## **Valuation Consideration and Assumptions**

In the course of our valuation, we have assumed that transferable land use rights in respect of the Property for its specified term at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. For the purpose of this valuation, we have assumed that Guangdong Changliu has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms granted.

In the course of our valuation, we have relied to a considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the value.

As advised by the Company, the potential tax liabilities which would arise on the disposal of the Property mainly comprise business tax at 5.6%; land appreciation tax at progressive rates from 30% to 60%; stamp duty at 0.5% and corporate income tax at 25%. As advised by the Company, there is no likelihood of such liabilities being crystallized as Guangdong Changliu has no intention to dispose of the Property.

### Site Inspections

We have inspected the exterior and, where possible, the interior of the Property. Site inspection of the Property was carried out in June 2015 by our Mr. Jack Chen (Assistant Manager), who is a China Registered Real Estate Appraiser and a China Registered Land Valuer. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

### Remarks

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**



**Anthony C.K. Lau**  
MRICS MHKIS RPS(GP)  
Director

*Note: Anthony C.K. Lau is a qualified surveyor and has over 22 years' post-qualification experience in the valuation of properties in the PRC and Hong Kong.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Amount of valuation as at 31 May 2015
<p>Nos. 20-22 Chigang West Road, Haizhu District, Guangzhou, Guangdong Province, PRC</p>	<p>The Property comprises a parcel of land with a site area of approximately 27,080.54 square meters on which 15 blocks of single- to six-storey buildings and various structures are erected.</p> <p>The Property is located at Chigang West Road, Haizhu District of Guangzhou. Properties in the vicinity are dominated by residential and commercial developments of various ages and heights. It is at about 10 minutes' walk to the nearby Kecun Station of Guangzhou Metro Line Nos. 3 and 8 and at about 40 minutes' drive to Guangzhou Baiyun International Airport.</p> <p>The Property has a total gross floor area of approximately 45,006.62 square meters, which was completed in 2003.</p> <p>In addition, the Property also comprises 5 blocks of single- to two-storey buildings with a total gross floor area of approximately 1,576.00 square meters, of which the title certificates have not been obtained.</p> <p>As advised by the Company, the Property has been included in the Three Oldies Reform Area of Guangzhou (the "Scheme").</p> <p>As advised by the Company, the west side of the land of the Property with a site area of approximately 13,540.00 square meters is zoned as "Green Belt" under the Scheme and will be resumed by the government (the "Resumption Portion"), while the remaining portion of the Property with a site area of approximately 13,540.00 square meters is zoned as "Business &amp; Commercial" under the Scheme and can be re-developed after land premium payable for the change of land use is settled with the government (the "Redevelopment Portion").</p>	<p>As at the valuation date, portion of the Property was occupied by various tenants, whilst the remaining portion of the Property was vacant.</p>	<p>RMB596,000,000 (See Note 1)</p>

Property	Description and tenure	Particulars of occupancy	Amount of valuation as at 31 May 2015
	As advised by the Company, Block Nos. 1-4 with a total gross floor area of approximately 33,941.38 square meters are erected on the Resumption Portion and will be resumed by the government.		
	As advised by the Company, the permissible gross floor area of the Redevelopment Portion is approximately 79,886.00 square meters. Detailed development plan of the Property has not been finalised.		
	The land use rights of the Property have been granted for a term of 50 years commencing on 29 December 2003 and 1 April 2008 respectively.		

*Notes:*

1. The Property is held by Guangdong Changliu Investment Co., Ltd. (廣東暢流投資有限公司) (“Guangdong Changliu”), which is a wholly-owned subsidiary of the Company, for future development. In accordance with the instruction from the Company, we have valued the Property based on the following assumptions:
  - (i) the west side of the land of the Property with a site area of approximately 13,540.00 square meters and the buildings erected thereon with a total gross floor area of approximately 33,941.38 square meters are to be resumed by the government. The resumption amount estimated by the Company is RMB8,000 per square meter on gross floor area, which has been taken into account in undertaking our valuation; and
  - (ii) the east side of the land of the Property with a site area of approximately 13,540.00 square meters with a permissible gross floor area of approximately 79,886.00 square meters can be redeveloped under the “Three Oldies Reform Area” based on the consultation report provided by the Company for commercial services and finance uses. The land premium to be payable for change of land use from industrial to commercial services and finance as estimated by the Company is approximately RMB433,000,000, which has been taken into account in undertaking our valuation.

According to the Company, no development plan on the redevelopment of the Property has been submitted or approved by the government authority. As further advised by the Company, they are still negotiating with the government authority on the redevelopment of the Property under the Three Oldies Reform, therefore the Property has no immediate development potential.

2. Pursuant to 15 Guangzhou Certificates of Real Estate Ownership all dated 30 June 2011, the building ownership of various buildings with a total gross floor area ("GFA") of approximately 45,006.62 square meters is vested in Guangdong Changliu for industrial use. The corresponding land use rights of a parcel of land with a site area of approximately 27,080.54 square meters have been granted to Guangdong Changliu for two concurrent terms expiring on 28 December 2053 and 31 March 2058 for industrial use. Details of the certificates are as follows:

Block No.	Certificate No.	Land Use	Land Use Term Expiry Date	No. of Storeys	Approximate GFA (sq.m)
1	Yue Fang Di Quan Zheng Sui Zi No. 0850046908	Industrial	28 December 2053	1	1,740.50
2	Yue Fang Di Quan Zheng Sui Zi No. 0850046918	Industrial	28 December 2053	6	16,304.47
3	Yue Fang Di Quan Zheng Sui Zi No. 0850046922	Industrial	28 December 2053/ 31 March 2058	5	15,634.33
4	Yue Fang Di Quan Zheng Sui Zi No. 0850046914	Industrial	28 December 2053	2	262.08
6	Yue Fang Di Quan Zheng Sui Zi No. 0850046915	Industrial	28 December 2053	2	746.88
7	Yue Fang Di Quan Zheng Sui Zi No. 0850046909	Industrial	28 December 2053	1	515.97
8	Yue Fang Di Quan Zheng Sui Zi No. 0850046916	Industrial	28 December 2053	1	512.03
9	Yue Fang Di Quan Zheng Sui Zi No. 0850046923	Industrial	28 December 2053	5	4,606.00
10	Yue Fang Di Quan Zheng Sui Zi No. 0850046910	Industrial	28 December 2053	6	1,900.20
12	Yue Fang Di Quan Zheng Sui Zi No. 0850046913	Industrial	28 December 2053	3	439.50
13	Yue Fang Di Quan Zheng Sui Zi No. 0850046920	Industrial	28 December 2053	1	1,273.44
14	Yue Fang Di Quan Zheng Sui Zi No. 0850046921	Industrial	28 December 2053	3	189.25
15	Yue Fang Di Quan Zheng Sui Zi No. 0850046919	Industrial	28 December 2053	1	268.94
16	Yue Fang Di Quan Zheng Sui Zi No. 0850046917	Industrial	28 December 2053	1	59.83
17	Yue Fang Di Quan Zheng Sui Zi No. 0850046924	Industrial	28 December 2053	1	553.20
				<b>Total:</b>	<b><u>45,006.62</u></b>

3. We have been provided with a legal opinion on the title to the Property dated 23 June 2015 issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

- (i) Guangdong Changliu has been incorporated in accordance with the PRC Company Law (《中華人民共和國公司法》) and the PRC Foreign-owned Company Law (《中華人民共和國外資企業法》) with good legal standing for continuous operations;
- (ii) Guangdong Changliu holds the land use rights of the subject land parcel (Lot No. D1309 Tu 15 Fu 67 D1309 15 幅 67 地號) with an area of 27,080.54 square meters. All land premium have been paid off;
- (iii) Guangdong Changliu owns 15 subject buildings with a total gross floor area of 45,006.62 square meters of which title certificates have been issued;



- (iv) For the remaining five subject buildings with a total gross floor area of approximately 1,500 square meters of which title certificate has not yet been issued, they are currently being put for normal uses;
- (v) As advised by Guangdong Changliu, the Property is subject to two mortgages in favour of the Guangzhou Fangcun Branch of the Industrial and Commercial Bank of China and the Sichuan Trust Company Limited for the mortgaged amounts of RMB19,700,000 and RMB120,300,000 respectively;
- (vi) Pursuant to a Reply Letter of Enquiry Results (《查詢結果覆函》) – Hai Geng Xin Cha Han (2012) No. 25 dated 8 October 2012 and issued by the Urban Renewal and Transformation Works Office of Haizhu District, Guangzhou (廣州市海珠區城市更新改造工作辦公室), the Property has been included in the Three Oldies Reform Area with its current land use as urban industrial land and being proposed to be changed to commercial and financial land;
- (vii) Guangdong Changliu shall submit the application and seek approval from the local government authority regarding redevelopment of the Property in accordance with relevant regulations and policies of Three Oldies Reform of Guangdong Province and Guangzhou City as the Redevelopment Portion of the Property is not designated for public use. Pursuant to provisions in government documents – Sui Fu [2009] No. 56 and Sui Fu [2012] No. 12, “for land parcels the use of which is changed to operational uses such as insurance and financial, trading and convention, tourism and entertainment, business and office, etc., the land premium to be payable is determined based on the difference in benchmark land prices between the new and existing land uses.” Once approval from the government authority regarding change of land use of the Redevelopment Portion of the Property is obtained, payment of the land premium with the government is a vital and essential step for the redevelopment of the Property;
- (viii) Upon full settlement of land premium payable and obtaining the State-owned Land Use Rights Certificate of the Property for commercial services and finance use, there exist no major legal impediments for Guangdong Changliu to file development documents and commence construction works of the Property in accordance with the commercial services and finance land uses and the approved planning conditions. Guangdong Changliu is also entitled to transfer the Property if relevant investment requirements or other conditions as stipulated in the PRC Urban Real Estate Management Law and relevant law and regulations are satisfied;
- (ix) In respect of the Resumption Portion, the PRC Legal Advisor emphasizes that the final location of the land, the site area of the land together with the corresponding gross floor area of the buildings erected thereon, and the compensation amount to be awarded are subject to the requisition documents of the then government authority. The PRC Legal Advisor also emphasizes that the construction land area for development and plot ratio of the Property are subject to the planning approval documents of the government; and
- (x) The PRC Legal Advisor cannot rule out the possibility that the above planning scheme may be revised by the government during the course of implementation of the Three Oldies Reform Area.