



利駿行測量師有限公司  
**LCH (Asia-Pacific)** Surveyors Limited  
PROFESSIONAL SURVEYOR  
PLANT AND MACHINERY VALUER  
BUSINESS & FINANCIAL ASSETS VALUER

ESTATE AGENT'S LICENCE  
(COMPANY) NO. C-009053

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 and published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor  
Champion Building  
Nos. 287-291 Des Voeux Road  
Central  
Hong Kong

30 September 2016

The Board of Directors  
Sino Golf Holdings Limited  
21st Floor  
1 Duddell Street  
Central  
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Sino Golf Holdings Limited (hereinafter referred to as the "Instructing Party") to us to value a real property (same as the word *property* in this report) in which Sino Golf Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (collectively, hereinafter together with the Company referred to as the "Group") have interest in the People's Republic



of China (hereinafter referred to as the “PRC” or “China”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the property interest as at 30 June 2016 (hereinafter referred to as the “Valuation Date”) for general disclosure purpose in the Company’s circular as at today’s date.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s business due diligence but we have not been engaged to make specific sales or purchase recommendations, or give opinions for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decisions regarding the property valued. Our work is designed solely to provide information that will give a reference to the Instructing Party as part of its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

#### **BASIS OF VALUATION AND ASSUMPTIONS**

According to the IVS, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of value of the property interest on the market value basis.

The term “Market Value” is defined by the IVS as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Save except the facts disclosed in the PRC legal opinion, our valuation of the property interest has been made on the assumptions that, as at the Valuation Date:

1. the legally interested party in the property sells its relevant property interest in the market in its existing states as a unique interest without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest; and
2. the property can be freely disposed of and transferred free of all encumbrances as at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.



## APPROACH TO VALUE

Having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost (“DRC”) approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like this property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

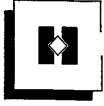
For owner-occupied specialised property where it is impracticable to identify the Market Value by the Sales Comparison Approach, the DRC approach is considered as the most appropriate approach. The underlying theory of this approach is the Market Value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the estimated DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of the property is on the assumption that the property is subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the estimated gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as it is, as at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the valuation date, the work having commenced at the appropriate time.

We need to state that our opinion of value of the property is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.



## **MATTERS THAT MIGHT AFFECT THE VALUE REPORTED**

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and the valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the property valued nor any expenses or taxation which may be incurred in effecting a sale.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

## **ESTABLISHMENT OF TITLES**

Based on the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company were requested to provided us the necessary copies of documents to support the Group's titles to the property and that the Group has free and uninterrupted rights to transfer, to mortgage or to let its relevant property interests (in this instance, an absolute title) for the whole of the unexpired terms as granted free of all encumbrances, and any premiums payable have already been paid in full or outstanding procedures have been completed (if any). We have been provided with copies of the documents. However, we have not examined the original documents to verify the ownership and encumbrances, or to ascertain the existence of any amendments which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.



The land registration system of China forbids us to search the original documents of the property that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professional and are not qualified to ascertain the title and to report any encumbrances that may be registered against the property. However, we relied solely on the copy of the PRC legal opinions provided by the Instructing Party with regards to the legal titles of the whole of the property. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, 山東師郊律師事務所 (Shandong ShiTan Law Firm\*).

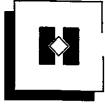
*\* The English translation of the Chinese name is for information only.*

## **INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY**

We have inspected the exterior, and where possible, the interior of the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of the property and our work product should not be taken as making any implied representation or statement about the condition of the property. No building survey, structural survey, investigation or examination has been made, but in the course of our inspection we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the area shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property should conduct their own legal boundaries due diligence work.



We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or has since been incorporated into the property, and we are therefore unable to report that the property is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw our attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

If the Instructing Party or other interested party is proposing to purchase the property and wants to satisfy themselves as to its condition, then they should obtain a qualified surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

## **SOURCES OF INFORMATION AND ITS VERIFICATION**

In the course of our works, we have been provided with copies of the documents (including legal opinion) regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of review had been made to the local property market information, we are not in a position to verify and ascertain the correctness of the information available to us. No responsibility or liability is assumed.



Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the Instructing Party or the appointed personnel of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied in this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

The scope of valuation has been determined by reference to the property list provided by the Instructing Party. All items on the list have been included in our report. The Instructing Party has confirmed to us that the Group has no property interests other than those specified on the list supplied to us and included in this report.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or the appointed personnel of the Company that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

## **LIMITING CONDITIONS**

Our conclusion of value of the property in this report is valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

Unless otherwise stated, our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property. We have assumed that the property is free of rot and inherent danger or unsuitable materials and techniques.



No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise our report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

No action or proceedings for any breach of this engagement shall be commenced against us after the expiry of three years from completion of our services.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

## **STATEMENTS**

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs by Securities and Futures Commission (the "Takeovers Codes"), as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC including applicable stamp duties, Value Added Tax at 11% and related surcharges on Value Added Tax at 11%, Enterprise Income Tax on the taxable income from the sale of the property at 25%, and Land Value Appreciation Tax at a progressive tax rates ranging





from 30% to 60% on the taxable gains from the sale of the property. As advised by the appointed personnel of the Group, the property is occupied by the Group for its own business operations, and the Group has no plan to sell the property and it is unlikely that the potential tax liability will be crystallised in the near future.

This report is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the Takeover Codes and the reporting guidelines contained in the IVS. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this report together with the data provided by the Instructing Party or its appointed personnel for this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The valuation of the property depends solely on the assumptions made in our report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the property, the Group or the value reported.

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

**LCH (Asia-Pacific) Surveyors Limited**



**Elsa Ng Hung Mui** *B.Sc. M.Sc. RPS (GP)*  
Executive Director

*Note:*

Ms. Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.



## VALUATION CERTIFICATE

**Property held and occupied by the Group under various long-term title certificates in the PRC and valued on market value basis**

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 30 June 2016
A factory complex erected on two parcels of adjoining land, No. 10 Tanma Road, Tancheng Economic Development Zone, Tancheng County, Linyi City, Shandong Province, The People's Republic of China 276188	<p>The property comprises two parcels of adjoining land and having a total site area of approximately 133,684 sq.m. There are 16 various major buildings and structures including a 5-storey dormitory block, a 2-storey office, a 2-storey canteen, three single-storey workshops and other supporting facilities erected thereon.</p> <p>The buildings and structures that covered by title certificates have a total gross floor area of approximately 36,640.23 sq.m. They were completed between 2007 and 2008.</p> <p>There are 2 various buildings known as Workshops C1 and C2 in the property are classified as construction in progress and having a total gross floor area of approximately 9,665.65 sq.m.</p> <p>The property is subject to a right to use the land for two various terms until 21 January 2055 and 18 May 2055, respectively, for industrial purpose.</p>	<p>As inspected and confirmed by the appointed personnel of the Company, the property was occupied by the Group for manufacturing, storage, ancillary office and staff quarters purposes with portion of the property was under construction as at the Valuation Date.</p>	<p>RMB115,570,000</p> <p>(100% interest)</p> <p>(See Note 4 below)</p>

*Notes:*

1. The right to possess the land is held by the State and the rights to use the land have been granted by the State to 臨沂順億高爾夫球製品有限公司 Linyi Sinoeia Golf Co., Ltd., the wholly owned subsidiary of the Company (subsequently renamed as Linyi Sino Golf Co., Ltd. and hereinafter referred to as "Sinoeia") by the following ways, they are:
  - i. A parcel of land having a site area of approximately 53,695 sq.m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同書) dated 16 February 2006 and made between the Land Resources Bureau of Tancheng County and Sinoeia, the land use rights of the land having a site area of approximately 53,695 sq.m. has been granted to Sinoeia for a terms of 50 years for industrial purpose at a land premium of RMB4,027,125. As advised by the management of the Company, the land premium has been fully paid.



Pursuant to a State-owned Land Use Rights Certificate – Tan Guo Yong (2006) Di 1656 Hao (國有土地使用證 – 鄰國用(2006)第1656號) dated 20 September 2006 issued by the People’s Government of Tancheng County (鄰城縣人民政府), Sinoeia has been granted the land use rights of a parcel of land having a site area of 53,695 sq.m. for a term until 18 May 2055 for industrial use.

- ii. A parcel of land having a site area of approximately 79,989 sq.m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同書) made between the Land Resources Bureau of Tancheng County and Sinoeia, the land use rights of the land having a site area of approximately 79,989 sq.m. has been granted to Sinoeia for a terms of 50 years for industrial purpose at a land premium of RMB5,991,200. As advised by the management of the Company, the land premium has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate – Tan Guo Yong (2005) Di 006 Hao (國有土地使用證 – 鄰國用(2005)第006號) dated 26 January 2005 issued by the People’s Government of Tancheng County (鄰城縣人民政府), Sinoeia has been granted the land use rights of a parcel of land having a site area of 79,989 sq.m. for a term until 21 January 2055 for industrial use.

2. Pursuant to 2 various Realty Title Certificates – Tan Fang Quan Zheng Kai Fa Qu Zi Di 000261 and 000262 Hao (鄰房權證開發區字第000261及000262號) dated 9 March 2009 and issued by the People’s Government of Tancheng County (鄰城縣人民政府), the legally interested party in the 16 various buildings and structures having a total gross floor area of approximately 36,640.23 sq.m. is Sinoeia. The area breakdowns for each of the buildings covered by the certificates are listed as follows:

	<b>Gross Floor Area</b> (sq.m.)
(i) a single storey workshop A	11,165.55
(ii) a single storey workshop B	10,502.25
(iii) a single storey workshop	1,039.65
(iv) a 2-storey office building	3,814.25
(v) 4 single storey guard rooms	112.00
(vi) a 5-storey staff quarters	4,350.95
(vii) a 2-storey canteen	2,068.00
(viii) a single storey dangerous good store	157.59
(ix) a single storey pump room	44.00
(x) a single storey warehouse	2,523.99
(xi) a single storey heat supply station	55.00
(xii) a single storey garbage room	775.50
(xiii) a single storey duty room/sewage treatment	31.50
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Total:	36,640.23
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3. According to the information provided by the management of the Company, the property is subject to a mortgage in favour of 中國農業銀行股份有限公司鄰城縣支行 Agricultural Bank of China Limited Tancheng County Branch.
4. As confirmed by the appointed personnel of the Company, portion of the property with facilities as at the Valuation Date were classified as construction in progress (CIP) items. The cost incurred for the CIP items was approximately RMB16,815,000 as at the Valuation Date. In our valuation, the CIP items are reported at cost spent as at the Valuation Date.
5. According to the legal opinion as prepared by the Company’s PRC legal adviser, the following opinions are noted:
- (i) Sinoeia is the legally interested party in the property mentioned in Notes 1 and 2 above. Its right in the property is protected by the relevant laws in China; and
- (ii) Sinoeia has the right to use, occupy and assign the property, but subject to the mortgage.