



GRANT SHERMAN

APPRAISAL REPORT R31416

VALUATION OF REAL PROPERTY

A8 NEW MEDIA GROUP LIMITED

30 NOVEMBER 2016



25 January 2017

The Directors
A8 New Media Group Limited
24/F, A8 Music Building,
No. 1002 Keyuan Road,
Hi-Tech Park,
Nanshan District, Shenzhen City,
Guangdong Province, the People's Republic of China

Dear Sirs,

RE: A8 Music Building, No. 1002 Keyuan Road, Hi-Tech Park, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China (the "Property")

In accordance with your instructions for us to value the property interest held by A8 New Media Group Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") in the People's Republic of China ("**the PRC**"), 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 the market value of such property interests as at the 30 November 2016 ("**date of valuation**") for inclusion in the circular issued by the Company.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean "the estimated amount for which a property should exchange on the 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".

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

In valuing the property interest, we have adopted the investment approach (income approach) by taking into account the current rent passing of the property interest and the reversionary potential of the tenancy(ies). In determining the reversionary potential of the tenancy(ies), we have adopted the market approach with reference to the recent proposed leasing and sale transactions for similar premises in the proximity.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the property with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted without any onerous conditions or undue time delay which might affect its value. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation certificates. Moreover, we have assumed that the utilization of the Properties and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the valuation certificate.

We have been provided with copies of extracts of title documents relating to the property. However, we have not caused title searches to be made for the property interest at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (“**the PRC legal opinion**”) dated 25 January 2017 provided by the Group’s PRC legal adviser, King & Wood Mallesons.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exteriors and interiors of the property. However, no structural survey has been made and we are therefore unable to report as to whether the property is or not free of rot, infestation or any other structural defects. No tests have been carried out on any of the services. Neither have we carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. Our valuations are on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the property is free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

All dimensions, measurements and areas included in the valuation certificate is based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%-60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

Unless otherwise stated, all property values are denominated in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 30 November 2016 was HK\$1: RMB0.887. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

As confirmed by the Company, the Property is the only property interest held by the Group both inside and outside the PRC as at the date of valuation.

We enclose herewith the valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED



Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MHIREA
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 13 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION CERTIFICATE

Property interest held by the Group for investment purpose in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 November 2016
A8 Music Building, No. 1002 Keyuan Road, Hi-Tech Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises a 25-storey commercial building (exclusive of 3-storey basement), which is completed in about 2014.</p> <p>The site area and total gross floor area of the property are approximately 4,745.49 sq.m. and 41,018.89 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 5 November 2058 for industrial use.</p>	<p>According to the tenancy schedule provided by the Company, the property is subject to various tenancy agreements with the latest expiry date on 30 September 2024 at an aggregate monthly rental of approximately RMB4,652,503 exclusive of management fee and other operating outgoings.</p> <p>Portion of the property was occupied by the tenants for office and retail uses, portion of the property was vacant and portion of the property was occupied by the Company for office and ancillary uses.</p>	<p>RMB906,000,000 (equivalent to HK\$1,021,000,000)</p>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: Shen De He Zi (2008) No. 105) entered into between the State-owned Land Resources and Building Management Bureau of Shenzhen City (Party A) and Shenzhen Huadong Feitian Network Development Co., Ltd. (Party B) dated 6 November 2008, the land use rights of the property with a site area of approximately 4,745.49 sq.m. were granted from Party A to Party B for a term of 50 years commencing on the date the handover of the land parcel of the property at a consideration of RMB29,265,400 for industrial use. The relevant development limitation of the land parcel of the property are summarized as below:

Permitted Land Use	:	Industrial and Research
Plot Ratio	:	Less than or equal to 8.6
Site Coverage	:	Less than or equal to 70%
Height Restriction	:	not higher than 100 meters

- Pursuant to a Supplementary State-owned Land Use Rights Grant Contract (Document No.: Shen De He Zi (2008) No. 105) entered into between the Planning and State-owned Land Resources Committee 2nd Management Bureau of Shenzhen City (Party A) and Shenzhen Huadong Feitian Network Development Co., Ltd. (Party B) dated 21 April 2015, the permitted gross floor area of the property is amended as follows, for a consideration of RMB148,357:

Permitted Uses	Approximate Gross Floor Area (sq.m.)
Commercial	1,330.23
Industrial and Research	38,619.34
Canteen	1,069.32
Total:	<u>41,018.89</u>

3. Pursuant to a State-owned Land Use Certificate (Document No.: Shen Feng De Zi No. 4000417876), the land use rights of the property with a site area of approximately 4,745.49 sq.m. were granted to Shenzhen Huadong Feitian Network Development Co., Ltd. for a term expiring on 5 November 2058 for industrial use.
4. According to a Real Estate Ownership Certificate (Document No.: Yue (2015) Shen Zhen Shi Bu Dong Chan Quan Zheng No. 0019537), the ownership of the Property with total gross floor area of approximately 41,018.89 sq.m. is vested in Shenzhen Huadong Feitian Network Development Co., Ltd. for industrial and research, commercial and canteen uses
5. As advised by the Company, the property facilitates a total of about 250 covered car parking spaces on basement levels 1 to 3.
6. We have been provided with a legal opinion on the property dated 25 January 2017 prepared by the Group's PRC legal adviser, King & Wood Mallesons, which contains, inter alia, the following information:
 - (a) Shenzhen Huadong Feitian Network Development Co., Ltd. was granted with the land use rights of the land parcel of the property. The land use rights are entitled to be occupied and mortgaged;
 - (b) The ownership of the Property was vested in Shenzhen Huadong Feitian Network Development Co., Ltd.;
 - (c) The property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the property; and
 - (d) The following legal documents were obtained.

(i)	State-owned Land Use Certificate	Yes
(ii)	Real Estate Ownership Certificate	Yes
7. Our Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS (GP) MHIREA) inspected the property on 8 December 2016, the external condition of the property was reasonable.
8. According to the information provided by the Company, Shenzhen Huadong Feitian Network Development Co., Ltd. is an indirect wholly-owned subsidiary of A8 New Media Group Limited.
9. The property is situated in Hi-Tech Park of Nanshan District, buildings in the locality are medium to high rise commercial buildings and industrial buildings. Shenzhen Metro Keyuan Station is about 15-minute walking distance from the property. Taxis and buses are accessible to the property.
10. According to the tenancy schedule provided by the Company, the property is subject to various tenancy agreements with the latest expiry date on 30 September 2024 at an aggregate monthly rental of RMB4,652,503 exclusive of management fee and other operating outgoings. The existing monthly unit rent for office and retail portions is in the range of RMB92 per sq.m. to RMB200 per sq.m. and RMB90 per sq.m. to RMB300 per sq.m. respectively.

The average monthly unit rent of similar office premises in the locality as at the date of valuation is in the range of RMB70 per sq.m. to RMB150 per sq.m. The average monthly unit rent of similar retail premises in the locality as at the date of valuation is in the range of RMB200 per sq.m. to RMB270 sq.m.
11. As advised by the Company, the tenants of the property are independent third parties which are not connected with and are independent of, any of the directors, or any of their respective associates of the Group.

NORMAL SERVICE CONDITIONS

The services provided by Grant Sherman Appraisal Limited will be performed in accordance with professional standards. We assume, without independent verification, the accuracy of all data provided to us. Our valuation certificate is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our valuation certificate as a substitute for their own due diligence. No reference to our name or our valuation certificate, in whole or in part, in any document you prepare or distribute to third parties may be made without our written consent. All files, workpapers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. In the event we are subject to any liability in connection with this engagement, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings.

- END OF VALUATION CERTIFICATE -