



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

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the latest edition of the International Valuation Standards (the “IVS”) published by the International Valuation Standards Council. The standard 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 is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute to 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 emphasized that the findings and conclusions presented below are based on the documents and facts known to the valuer 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.

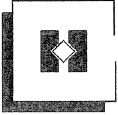
17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

26 July 2024

Hing Lee (HK) Holdings Limited
Units 1101 on 11th Floor
Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Hing Lee (HK) Holdings Limited (hereinafter referred to as the “**Instructing Party**”) to us to conduct an agreed-upon procedures valuation of a designated property in which Hing Lee (HK) Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (collectively, together with the Company hereinafter referred to as the “**Group**”) have interests in the mainland of The People’s Republic of China (hereinafter referred to as the “**PRC**” or “**China**”), we confirm that we have conducted 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 31 May 2024 (hereinafter referred to as the “**Valuation Date**”) for the Company’s internal management reference purpose. We are given to understand that this valuation report to this document (the “**Circular**”) is also for the Company’s shareholders’ reference purpose. This valuation report comprises of the text section and property particular with value section.



We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sale or purchase recommendations, or give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the management of the Instructing Party should conduct in reaching its business decision regarding the property valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of value of the property are documented in this valuation report and submitted to the Instructing Party at today's date (hereinafter referred to as the "**Report Date**").

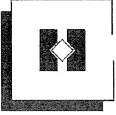
BASIS OF VALUE AND ASSUMPTIONS

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 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".

Our valuation of the property interest considered the following conditions to arrive at the Market Value of the property interest, as at the Valuation Date,

1. Does the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premium payable have already been fully paid?
2. Is the legally interested party in the property selling its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property interest?
3. Does the legally interested party in the property has absolute title to its relevant property interest?



4. Has the property obtained relevant government's approvals for the sale of the property and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of the transaction) in the market?
5. Can the property 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?

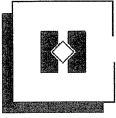
APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

According to the PRC legal opinion dated 26 July 2024 and provided to us, the property is not transferrable. The preconditions for the adoption of the market approach to arrive at the Market Value are a developed, fair and active open market with sufficient market information and the availability of comparable transactions in the open market. As the state-owned land use right in the PRC where the property located is not allowed to be transferred or leased by the interested party in the property pursuant to the Realty Title Certificate, there is no such comparable transactions in the open market. Market approach is not appropriate for the valuation of the property. *Ipsa facto*, the property is not allowed to be leased, and no rental income can be generated from the property. Thus, the income approach is not appropriate as the property is not allowed to be leased.

For information purpose of the Company, the non-market value basis of depreciated replacement cost of the building elements of the property was reported by adopting the depreciated replacement cost (“DRC”) method. According to HKIS Valuation Standards 2020, the DRC is a one of the four cost approach methods. The application of the DRC method in real property valuation is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. For specialized property where it is impracticable to identify the market value by sales comparison approach, the DRC method is considered as the most appropriate method. The underlying theory of this method is the 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. The DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

Specialized property is certain types of property which is rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from their specialized nature and design of the buildings, their configuration, size, location or otherwise. Examples are: standard property located in particular geographical areas and remote from main business centres for operational or business reasons, that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and property of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings.



Having considered the inherent and general characteristics of the property, we are of the opinion that the property is specialized property. However, the DRC method is not appropriate to determine the value of the land element of the property, because every piece of land is unique. It would be challenging to find a replacement site with the same features and characteristics as the land element of the property, which contributes to the service potential of the building elements (the improvements) within their specific locality to be a representative comparable to build up the cost. In considering the building elements, the gross replacement cost of the building elements should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, 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 buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We need to state that our opinion of the DRC of the building elements of the property is not necessarily intended to represent the amount that might be realized from disposition on piecemeal basis in the open market.

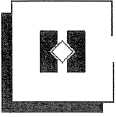
Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

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 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. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoing of an onerous nature which could affect its value.

Unless otherwise stated, 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.



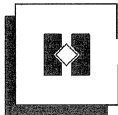
ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary copies of documents to support that the legally interested party in the property (in this instance, the Group) has free and uninterrupted rights to use its relevant property interests 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, and the Group has the right to occupy and use the property. However, our procedures to value, as agreed with Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the property.

We have been provided with copies of the title documents of the property. 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 stated that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in China. However, we have complied with the requirements as stated in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of documents and a copy of the PRC legal opinions provided by the Instructing Party or the appointed personnel of the Company with regards to the legal title of the property. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal advisor Beijing Yingke (Shenzhen) Law Firm 北京市盈科(深圳)律師事務所 dated 26 July 2024. All documents are for reference only. No responsibility or liability from our part is assumed.

In our report, we have assumed that the Group has obtained all the approval and/or endorsement from the relevant authorities to own or to use the property, and that there would be no legal impediment (especially from the regulators) for the Group to continue the legal titles to the property. Should this not be the case, it will affect our opinion of value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.



INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY

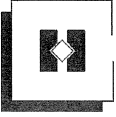
We have conducted inspection to the exterior, and where possible, the interior of the property on 10 May 2024 by Sr J. Junior Ho (Executive Director) in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We inspected the property under the companion of the appointed personnel of the Group. As advised, the staff possesses the ability to accompany us to conduct inspection. In our inspection, 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. During our inspection, it is noted that there were seals issued from the Shenzhen Pingshan District People's Court posted. As explained by the Company, certain products and equipment of a third party (whose products were being promoted in connection with the PRC Company's promotion business) have been seized by the court and are still kept in the Target Properties. The court seizure order is made against the owner of the products and equipment who is in financial difficulties. As advised by the PRC legal adviser of the Company, these products and equipment are not allowed to be moved from the site under the court seizure order without the approval or authorization from the court. For detail please refer to the Letter from the Board of this Circular.

We also unable to inspect covered pipe works and building facilities as well as underground water system. However, this will not affect our valuation of the property as we have assumed the conditions of these are maintained in normal condition. This is also a common practice in our valuation profession. 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, test or examination has been made, but in the course of our inspections, we did not note any serious defects in the property inspected. 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 building utilities (if any) and we are unable to identify those services either 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 areas 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 the 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 has been used in the construction of the property, or has since been incorporated, 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 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 its 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.

SOURCES OF INFORMATION AND ITS VERIFICATION

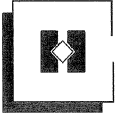
In the course of our works, we have been provided with copies of the documents regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state 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.

We have relied solely on the information provided by 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 general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. 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 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 to 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.



We are unable to accept any responsibility for the information that has not been supplied to us by Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or its 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”).

OPINION OF VALUE

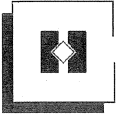
Based on the above information and assumptions, we have assigned no commercial value to the property as at the Valuation Date.

LIMITING CONDITIONS IN THIS REPORT

Our findings and value of the property in this report are 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. Our valuation has been made on the assumption that no unauthorized alteration, extension or addition has been made in the property, and that the use of this report does not purport to be a building survey of the property.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this 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.

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.



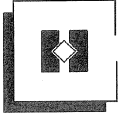
Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be 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.

It is agreed that the Instructing Party and the Group 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, wilful 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

Our report is prepared in line with the reporting requirements contained in Chapter 5 of the Listing Rules as well as the reporting guidelines contained in the IVS. The valuation has been undertaken by valuer (see End Note), acting as external valuer, for the purpose of the valuation.

We retain a copy of this report and the detailed valuation report together with the information provided by the Instructing Party for the purpose of this valuation, and the information will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report 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 analysis and valuation of the property depend solely on the assumptions made in this 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 value significantly.

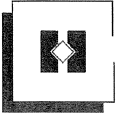
We hereby certify that the fee for this service is not contingent upon our conclusion and we have no significant interest in the property, the Group or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

J. Junior Ho R.P.S. (GP)(PD)
Executive Director

Note:

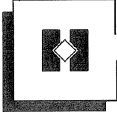
Sr J. Junior Ho is a Fellow of The HKIS and has been conducting valuation of various assets including real properties in Hong Kong, Macau, Taiwan, mainland China, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010.



PROPERTY PARTICULAR WITH VALUE

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

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 May 2024 RMB
<p>A factory complex located at Lot No. G14309-0285 Kengzi Town Industrial Zone, Longgang District, Shenzhen City, Guangdong Province, The People's Republic of China 518112</p> <p>一座工廠位於廣東省深圳市龍崗區坑梓鎮工業區宗地號: G14309-0285</p>	<p>The property comprises a parcel of land having a site area of approximately 43,817.36 sq. m. (See Note 1 below) with 4 various major buildings and structures erected thereon.</p> <p>The buildings and structures include 2 various single to 3-storey workshops, an 8-storey dormitory and a single storey warehouse which were completed in between 2009 and 2010. They have a total gross floor area of approximately 42,218.14 sq. m. (See Notes 2 & 3 below)</p> <p>The property is located at an industrial area in Kengzi Town and surrounded by various industrial complexes.</p> <p>The property is subject to a right to use the land for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. (See Note 1 below)</p>	<p>As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, as at the Valuation Date, most parts of the property were vacant and not in occupation, with portion of the dormitory being occupied.</p> <p>It is noted that there were seals issued from the Shenzhen Pingshan District People's Court posted in the property.</p>	<p>No commercial value</p> <p>100 per cent. interest</p> <p>(See Note 6 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 深圳興利傢俱有限公司 (translated as Shenzhen Xingli Furniture Co., Ltd. and hereinafter referred to as “**Shenzhen Xingli**”), a wholly-owned subsidiary of the Company, vide the following ways:

- (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (2007) 5057 Hao (深地合字(2007)5057號) dated 29 June 2007 and made between the Shenzhen Municipal Land Resources and Real Estate Administrative Bureau and Shenzhen Xingli Zundian, the state-owned land use rights of a parcel of land having a site area of 43,817.36 sq.m. was granted to Shenzhen Xingli Zundian for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. The consideration has been fully paid; and
- (ii) Pursuant to four various Realty Title Certificates known as Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165257 Hao (粵(2018)深圳市不動產權第0165257號), Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165263 Hao, Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165334 Hao and Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165389 Hao, all dated 7 August 2018 and registered in the Shenzhen Real Estate Registration Centre, the legally interested party in the land having a site area of approximately 43,817.36 sq.m. is Shenzhen Xingli for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. The land is not allowed to assign.

2. According to four various Realty Title Certificates known as Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165257 Hao (粵(2018)深圳市不動產權第0165257號), Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165263 Hao, Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165334 Hao and Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165389 Hao, all dated 7 August 2018 and registered in the Shenzhen Real Estate Registration Centre, the legally interested party in 4 various buildings erected on the land as mentioned in Note 1 having a total gross floor area of approximately 42,218.14 sq. m. is Shenzhen Xingli.

3. The area breakdown for each of the buildings are as follows:

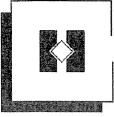
Buildings (no. of storey)	Usage	Completion Year	Estimated Remaining Useful Life	Gross Floor Area (sq. m.)
Workshop (single storey)	industrial	7/2010	26.12	3,050.44
Workshop (3-storey)	industrial	11/2009	25.49	30,172.75
Warehouse (single storey)	industrial	11/2009	25.49	109.12
Dormitory (8-storey)	ancillary (for habitation)	11/2009	25.49	8,885.83
Total:				42,218.14

4. Pursuant to the Enterprise Legal Person Business Licence dated 23 May 2013, Shenzhen Xingli is a Limited Liability Company (Taiwan, Hong Kong and Macao’s sole proprietorship of legal person) which was established on 16 December 2002.

5. According to the mortgage agreements dated 25 September 2020 and made between the Pingshan Branch of the Shenzhen Rural Commercial Bank and Shenzhen Xingli, the property is subject to mortgage in favour of the Pingshan Branch of the Shenzhen Rural Commercial Bank for a banking facility of RMB80,000,000.

6. According to the legal opinions prepared by the Company’s PRC legal adviser, Beijing Yingke (Shenzhen) Law Firm (北京市盈科(深圳)律師事務所) dated 26 July 2024, the following opinions are noted:

- (i) Shenzhen Xingli obtained the state-owned land use rights with full payment of land consideration and related utilities cost; Shenzhen Xingli has the right to occupy and use the property;
- (ii) the ownership to the land and the buildings and structure are clear and is not subject to any dispute;
- (iii) according to a summary of the Government 4th No. 51 General Meeting mentioned under the Contract for the Grant of State-owned Land Use Rights mentioned in Note 1 above and the Realty Title Certificates mentioned in Note 1 above, the land use rights of the property cannot be transferred or leased;



- (iv) therefore, the buildings and structures erected on the land cannot be transferred or leased but can be subject to mortgage;
 - (v) as Shenzhen Xingli will remain to be the owner of the land use rights of the property upon the completion of Disposal (as defined in this Circular), Shenzhen Xingli will not violate the restrictions on the transfer of the property.
 - (vi) the court seizure order is made against the owner of the products and equipment who is in financial difficulties, and these products and equipment are not allowed to be moved from the property under the court seizure order without the approval or authorization from the court; and
 - (vii) the property is subject to mortgage as at the Valuation Date in favour of Pingshan Branch of the Shenzhen Rural Commercial Bank.
7. Since the property is non-transferable, no commercial value was assigned to the property. For information purpose, the value of the land element of the property was nil and the depreciated replacement cost of the building elements of the property as at the Valuation Date was RMB61,200,000.
8. Key Valuation inputs adopted in the DRC valuation of the building element of the property

Depreciated replacement cost = replacement cost new x (remaining life/useful life + residual rate)

Unit Rate of replacement cost new

The factory complex comprises of workshops and dormitory. We adopted the construction unit cost of industrial buildings and multi-storey residential buildings as well as the relevant cost index as published by the Housing and Construction Bureau of Shenzhen Municipality (深圳市住房和建設局). The construction unit cost of industrial building and multi-storey residential buildings, after taking into account the cost index as at April 2024, were RMB2,140 per square metre and RMB2,440 per square metre, respectively.

Useful life and remaining useful life

The factory complex, comprising workshops and dormitory, is assumed to have a useful life of 40 years. We have referred to the data from the cost manual of Marshall & Swift Valuation Service stating that the useful life for the general industrial building ranged from 35 years to 50 years, with a median of 40 years. We have checked against the respective Realty Title Certificates, the majority of the workshop buildings and the dormitory building were completed on 27 November 2009, thus remaining useful life is about 25.49 years. The remaining workshop building was completed on 16 July 2010, which has a remaining useful life of about 26.12 years.

Residual Rate

The residual value represents the scrap value of the building when demolished. We have referred to the cost manual of Marshall & Swift Valuation Service stating that the residual rate for commercial properties ranged from 1% to 3%. We have then adopted the median of 2% for the factory complex.

The replacement cost new of the building element equals the gross floor area of the factory complex, comprising the workshops and dormitory buildings, multiplied by their respective construction unit cost. The gross floor area of the factory complex is from the various Realty Title Certificates. The depreciated replacement cost of the building element is estimated by taking the total replacement cost new and adjusting it based on the remaining useful life and the expected residual rate. The remaining useful life is divided by the useful life, which gives the percentage of the building elements' remaining useful life. The residual rate is then added to this percentage, which represents the portion of the building elements' value that is expected to remain at the end of its useful life. This resulting percentage is then multiplied by the replacement cost new to determine the depreciated replacement cost.