

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2019 of the property interests held by the Group.*



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Licence No.: C-030171

26 February 2020

The Board of Directors  
**Ximei Resources Holding Limited**

Dear Sirs,

In accordance with your instructions to value the property interests held by Ximei Resources Holding Limited (the “Company”) and its subsidiaries (hereinafter 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 searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 December 2019 (the “valuation date”).

Our valuation is carried out on a market value basis. Market value is defined 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”.

Due to the nature of the buildings and structures of property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have attributed no commercial value to the property in Group II, of which the land use rights certificates have not been obtained, thus the title of the property is not vested by the Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans related to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisers — King & Wood Mallesons, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Inspection of the properties was carried out in July 2019 by Mr. Eric Lu who has more than 3 years' experience in the valuation of properties in the PRC. We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

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

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

Our valuation is summarized below and the valuation certificates are attached below for your attention.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T.W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Senior Director*

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*Notes:* Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## Group I — Property interest held and occupied by the Group in the PRC

| <u>No.</u> | <u>Property</u>   | <u>Market value in<br/>existing state as at<br/>31 December 2019</u> |
|------------|---|--|
|            |   | <b>RMB</b>   |
| 1.         | Zone A of the industrial plant of Zhiyuan New Material<br>located at<br>Hongqiao Village<br>Qiaotou Town<br>Yingde City<br>Qingyuan City<br>Guangdong Province<br>The PRC | 59,539,000   |
|            | <b>Sub-total:</b>   | <u>59,539,000</u>  |

## Group II — Property interest contracted to be acquired by the Group in the PRC

| <u>No.</u> | <u>Property</u>   | <u>Market value in<br/>existing state as at<br/>31 December 2019</u> |
|------------|---|--|
|            |   | <b>RMB</b>   |
| 2.         | Zone B of the industrial plant of Zhiyuan New Material<br>located at<br>Hongqiao Village<br>Qiaotou Town<br>Yingde City<br>Qingyuan City<br>Guangdong Province<br>The PRC | No commercial value  |
|            | <b>Sub-total:</b>   | <u>Nil</u>   |
|            | <b>Grand total:</b>   | <u><u>59,539,000</u></u>   |

## VALUATION CERTIFICATE

## Group I — Property interest held and occupied by the Group in the PRC

| No. | Property   | Description and tenure  | Particulars of occupancy   | Market value in existing state as at 31 December 2019<br>RMB |
|-----|--|---|--|--|
| 1.  | Zone A of the industrial plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC | <p>The property comprises 10 parcels of land with a total site area of approximately 91,402.27 sq.m. and 16 buildings and portions of a recycling factory (“comprehensive recycling factory II”) erected thereon which were completed in various stages between 2006 and 2018.</p> <p>The buildings of the property have a total gross floor area of approximately 26,996.35 sq.m.</p> <p>The buildings mainly include an office building, a staff canteen, a liquid ammonia building, 2 warehouses, 2 dormitories, 2 recycling factories (including portions of the comprehensive recycling factory II) and 8 maintenance and production factories.</p> <p>The land use rights of the property have been granted for terms of 50 years expiring on 12 May 2055, 17 July 2066, 5 September 2067, 6 November 2067, 24 December 2068 and 4 October 2069 for industrial use.</p> | As at the valuation date, the property was occupied by the Group for production, staff dormitory, canteen, recycling facilities, storage and ancillary purposes. | 59,539,000   |

*Notes:*

- Pursuant to 2 State-owned Land Use Rights Certificates — Ying De Guo Yong (2014) No. 1257, Ying De Guo Yong (2015) No. 1561 and 8 Real Estate Title Certificates — Yue (2017) Ying De Shi Bu Dong Chan Quan Nos. 0028974, 0028975, 0028979, 0023125 and 0023136, Yue (2018) Ying De Shi Bu Dong Chan Quan Nos. 0033608, 0036594 and 0036622, the land use rights of the property with a total site area of approximately 91,402.27 sq.m. have been granted to Guangdong Zhiyuan New Material Co., Ltd. (“Zhiyuan New Material”, an indirect wholly-owned subsidiary of the Company) for terms of 50 years expiring on 12 May 2055, 17 July 2066, 5 September 2067, 6 November 2067, 24 December 2068 and 4 October 2069 for industrial use.

2. Pursuant to 13 Real Estate Title Certificates, 13 buildings of the property with a total gross floor area of approximately 20,381.35 sq.m. are owned by Zhiyuan New Material. The details are set out as follows:

| No.   | Certificate No.                                      | Gross Floor Area<br>(sq.m.) | Usage      |
|-------|--|-----------------------------|------------|
| (1)   | Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009441 | 4,224.00                    | Industrial |
| (2)   | Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009439 | 1,230.35                    | Dormitory  |
| (3)   | Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009432 | 2,566.80                    | Industrial |
| (4)   | Yue (2016) Ying De Shi Bu Dong Chan Quan No. 0009437 | 676.40                      | Industrial |
| (5)   | Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0026826 | 540.00                      | Industrial |
| (6)   | Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0026852 | 918.00                      | Industrial |
| (7)   | Yue (2017) Ying De Shi Bu Dong Chan Quan No. 0028841 | 3,181.20                    | Industrial |
| (8)   | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005363 | 351.00                      | Industrial |
| (9)   | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005364 | 528.00                      | Industrial |
| (10)  | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005365 | 2,012.65                    | Dormitory  |
| (11)  | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0005366 | 432.00                      | Industrial |
| (12)  | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0033481 | 1,562.95                    | Industrial |
| (13)  | Yue (2018) Ying De Shi Bu Dong Chan Quan No. 0033477 | 2,158.00                    | Industrial |
| Total |  | 20,381.35                   |            |

3. For the remaining buildings of the property (a recycling factory, a warehouse, a liquid ammonia building and portions of comprehensive recycling factory II) with a total gross floor area of approximately 6,615.00 sq.m., Real Estate Title Certificates of these buildings have not been obtained.
4. In the valuation of the property, we have attributed no commercial value to such buildings mentioned in note 3 which have not obtained any Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) would be RMB6,282,000 as at the valuation date.
5. Pursuant to a mortgage contract — No. GDY47703012017009 entered into between Zhiyuan New Material and The Bank of China, Qingyuan Branch, two parcels of land of the property (Ying De Guo Yong (2014) No. 1257 and Ying De Guo Yong (2015) No. 1561) and the buildings thereon (Yue (2016) Ying De Shi Bu Dong Chan Quan Nos. 0009432, 0009437, 0009439 and 0009441, Yue (2018) Ying De Shi Bu Dong Chan Quan Nos. 0005365, 0005366, 0005364 and 0005363) are subject to mortgage in favour of The Bank of China, Qingyuan Branch.
6. We have been provided with legal opinions regarding the property interest by the Company's PRC Legal Advisers, which contains, *inter alia*, the following:
- a. Zhiyuan New Material is legally in possession of the land use rights of the property by means of grant and has obtained the relevant State-owned Land Use Rights Certificates and Real Estate Title Certificates. Zhiyuan New Material has the rights to legally occupy, use, transfer, lease, mortgage or use the land use rights of the property for business operation in accordance with relevant PRC laws and regulations;
  - b. Zhiyuan New Material has legally obtained the Real Estate Title Certificates for the buildings mentioned in note 2 and held the ownership rights of such buildings. Zhiyuan New Material has the right to legally use such buildings in accordance with relevant PRC laws and regulations;
  - c. Except for the land parcels and buildings mentioned in note 5, the property are not subject to any restrictions arising from mortgage and sequestration, and illegalities, obstacles and risk for the use of the property do not exist as at the issuance date of the legal opinion;

- d. Pursuant to 2 Certificates issued by the Housing and Urban-Rural Development Bureau of Yingde (“the Bureau”) dated 21 June 2019 and by Planning and Construction Department of Qiaotou Town, Yingde (“the Department”) dated 29 May 2019, Zhiyuan New Material is not subject to any administrative punishments by the Bureau and the Department as at the issuance date of the certificates. The Bureau and the Department will assist Zhiyuan New Material in completing related procedures for obtaining title certificates without demolishing the buildings mentioned in note 3. Pursuant to another Confirmation Letter issued by Yingde Real Estate Registration Center dated 16 July 2019, Zhiyuan New Material has applied for registration of Real Estate Title Certificates for the buildings mentioned in note 3. There is no material legal impediment for Zhiyuan New Material to obtain such Real Estate Title Certificates which is estimated to be no later than December 2020; and
  
- e. There is no existing dispute and potential entanglement for Zhiyuan New Material in using the buildings mentioned in note 3 and there is also no material legal impediment to obtain the Real Estate Title Certificates. Zhiyuan New Material will be entirely in possession of the legal rights of these buildings after finishing the registration of property rights.

## VALUATION CERTIFICATE

## Group II — Property interest contracted to be acquired by the Group in the PRC

| No. | Property   | Description and tenure   | Particulars of occupancy   | Market value in existing state as at 31 December 2019 |
|-----|--|--|--|---|
|     |  |  |  | <b>RMB</b>  |
| 2.  | Zone B of the industrial plant of Zhiyuan New Material located at Hongqiao Village Qiaotou Town Yingde City Qingyuan City Guangdong Province The PRC | <p>The property comprises a parcel of land with a site area of approximately 21,863 sq.m. and the remaining portion of comprehensive recycling factory II erected thereon which was completed in 2010.</p> <p>The building of the property has a gross floor area of approximately 1,000 sq.m. and is mainly used for storage purpose.</p> <p>The land use rights of the property would be contracted to be granted.</p> | Portion of the property was completed and occupied for storage purpose and the remaining portion was bare land as at the valuation date. | No commercial value                                   |

*Notes:*

- Pursuant to a Land Acquisition Agreement entered into between the Government of Qiaotou Town and Qiaotou Yuanqian Villagers Group and a Supplemental Land Acquisition Agreement entered into between the Government of Qiaotou Town and the Guangdong Zhiyuan New Material Company Limited (“Zhiyuan New Material”, an indirect wholly-owned subsidiary of the Company) dated June 2011, several parcels of land (including the land parcel of the property) with a total site area of approximately 167 mu (i.e. approximately 111,333.89 sq.m.) were contracted to be acquired by Zhiyuan New Material.
- Pursuant to a Letter — Ying Guo Tu Zi Li Yong Han (2016) No. 24 issued by the Land and Resources Bureau of Yingde City dated 8 March 2016, the land parcels of the property in Group I and II have a total site area of approximately 169.96 mu (i.e. approximately 113,306.67 sq.m.).
- Pursuant to the information provided by the Company, the site area of the land parcel of Group II is approximately 21,863 sq.m., as determined by the Natural Resources Bureau of Yingde City.
- We have not been provided with any State-owned Land Use Rights Certificates or Real Estate Title Certificates of the property.
- As the State-owned Land Use Rights Certificates and Real Estate Title Certificates of the property have not been obtained by the Group as at the valuation date, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the land use rights of property is RMB4,428,000 and the depreciated replacement cost of the building (excluding the land) is RMB439,000, assuming the land premium has been fully paid and the relevant title certificates have been obtained by the Group.



6. We have been provided with legal opinions regarding the property interest by the Company's PRC Legal Advisers, which contains, *inter alia*, the following:
  - a. Pursuant to a Certificate issued by the Natural Resources Bureau of Yingde City ("the Natural Resources Bureau") dated 12 June 2019, Zhiyuan New Material has no dispute or entanglement with the Natural Resources Bureau since its establishment on 9 May 2006. The risk for the Group to be punished by relevant government authorities for the existence of the building is low and it will have no material adverse impact on the production and operation of the Group; and
  - b. There is no existing dispute and potential entanglement for Zhiyuan New Material in using the above-mentioned building and there is also no material legal impediment to obtain the Real Estate Title Certificate. Zhiyuan New Material will be entirely in possession of the legal rights of the building after finishing the registration of property rights.