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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Chen Xing Development Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHEN XING**

**Chen Xing Development Holdings Limited**

**辰興發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2286)**

**MAJOR AND CONNECTED TRANSACTION  
DISPOSAL OF 51% EQUITY INTEREST IN  
INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

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Capitalised terms used on this cover page have the same meanings as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 17 of this circular.

The Equity Transfer Agreement and the Disposal have been approved by written approval obtained from White Dynasty BVI, the controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

28 March 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Board”	the board of Directors
“Business Valuation Report”	the business valuation report in respect of the value of the Equity Interest of Jinzhong Development prepared by the Business Valuer, using the asset-based approach with 30 September 2023 as the appraisal reference date, a summary of which has been enclosed in Appendix II to this circular
“Business Valuer”	Shanxi Jiahao Real Estate and Assets Evaluation Co., Ltd.* (山西家豪房地產資產評估有限公司), an independent valuer in connection with the valuation of the equity interest of Jinzhong Development Group
“Company”	Chen Xing Development Holdings Limited (辰興發展控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on Main Board of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the terms of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal of the Equity Interest in Jinzhong Development, which in turn owns and controlled approximately 67% of the equity interest in Jinzhong Xiya
“Equity Interest”	the entire 51% of the equity interest in Jinzhong Development, being the subject matter of the Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 29 December 2023 entered into between the Vendor and the Purchaser in respect of the Disposal
“Forecast Period”	the 12 months from the date of this circular
“GFA”	gross floor area

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinzhong Asset Exchange”	Jinzhong City Asset and Equity Exchange* (晉中市產權交易中心)
“Jinzhong Development”	Jinzhong Development Zone Real Estate Development Co., Ltd.* (晉中開發區房地產開發有限公司), a limited liability company established in the PRC in February 2013 and an indirect non-wholly owned subsidiary of the Company, which is owned as to 51% by the Vendor, and 49% by the Purchaser
“Jinzhong Development Group”	Jinzhong Development and Jinzhong Xiya
“Jinzhong Management Committee”	the Management Committee of Shanxi Transformation Comprehensive Reform Demonstration Zone Jinzhong Development Zone* (山西轉型綜合改革示範區晉中開發區), formerly known as the management committee of Economic Technology Development District, Jinzhong (晉中經濟技術開發區管委會), and is ultimately controlled by Jinzhong City People’s Government (晉中市人民政府)
“Jinzhong Xiya”	Jinzhong Xiya Real Estate Development Co., Ltd.* (晉中熙雅房地產開發有限公司), a limited liability company established in the PRC in April 2018 and an indirect non-wholly owned subsidiary of the Company, which is owned as to approximately 67% by Jinzhong Development, and approximately 33% by Xi’an Yajule Enterprise Management Consulting Co., Ltd.* (西安雅居樂企業管理諮詢有限公司)
“Latest Practicable Date”	25 March 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Property Valuation Report”	the property valuation report in respect Jinzhong Development prepared by the Property Valuer, using the market approach with 31 December 2023 as the appraisal reference date, which has been enclosed in Appendix III to this circular
“Property Valuer”	Vincorn Consulting and Appraisal Limited, an independent valuer in connection with its valuation of the property interests to be disposed by the Group
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Public Display”	the public display for the proposed acquisition and disposal of the Equity Interest through Jinzhong Asset Exchange, which shall take place during the Public Display Period
“Public Display Period”	five natural day period commencing from 29 December 2023 (being the execution date of the Equity Transfer Agreement) and ending on 2 January 2024, with the Disposal being displayed on the website of Jinzhong Asset Exchange
“Public Tender”	the public tender for the proposed acquisition and disposal of the Equity Interest through Jinzhong Asset Exchange, which shall take place during the Public Tender Period
“Public Tender Period”	five natural day period commencing from 25 December 2023 and ending on 29 December 2023
“Purchaser”	Jinzhong Development Zone Development and Construction Group Co., Ltd.* (晉中開發區開發建設集團有限公司), a limited liability company established in the PRC which is owned as to 65% by Jinzhong Management Committee and 35% by Jinzhong Public Utilities Infrastructure Holding Group Co., Ltd. (晉中市公用基礎設施投資控股(集團)有限公司), both of which being ultimately controlled by Jinzhong City People’s Government (晉中市人民政府)
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holder(s) of the Shares
“Share(s)”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chenxing Real Estate Development Co., Ltd.* (辰興房地產發展有限公司), an indirect wholly-owned subsidiary of the Company
“White Dynasty BVI”	White Dynasty Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by White Empire (PTC) Limited (白氏帝國(私人信託)有限公司), a company incorporated in the British Virgin Islands with limited liability and which was wholly-owned by Mr. Bai Xuankui (白選奎), the chairman and executive Director of the Board and a controlling Shareholder
“%”	per cent.

\* *English name for identification purpose only*

*English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*

*In this circular, RMB has been converted to HK\$ at the rate of RMB0.91 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

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## LETTER FROM THE BOARD

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**CHEN XING**

### **Chen Xing Development Holdings Limited**

**辰興發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2286)**

*Executive Directors:*

Mr. Bai Xuankui (*Chairman*)  
Mr. Bai Wukui (*Chief Executive Officer*)  
Mr. Bai Guohua  
Mr. Dong Shiguang

*Registered office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Mr. Tian Hua  
Mr. Qiu Yongqing  
Ms. Gao Jianhua

*Head office and principal place of  
business in the PRC:*

18 Anning Street  
Yuci District  
Jinzhong City  
Shanxi Province  
The PRC

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

28 March 2024

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 29 December 2023, 22 January 2024 and 31 January 2024 in relation to the Equity Transfer Agreement and the Disposal.

The purpose of this circular is to provide you with information regarding, among other things, (i) further details in relation to the Equity Transfer Agreement and the Disposal; and (ii) other information required under the Listing Rules.

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## LETTER FROM THE BOARD

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### BACKGROUND

The Vendor, an indirect wholly-owned subsidiary of the Company, proposed to sell the Equity Interest in Jinzhong Development to the Purchaser. Since the Equity Interest is regarded as state-owned assets under the relevant PRC rules, the transfer of Equity Interest is subject to Public Tender and Public Display. During the Public Tender Period, the Purchaser had participated in the Public Tender through Jinzhong Asset Exchange to purchase the Equity Interest in Jinzhong Development from the Vendor. The Board wishes to announce that, on 29 December 2023, the Purchaser was confirmed by Jinzhong Asset Exchange as the successful bidder of the Equity Interest.

### EQUITY TRANSFER AGREEMENT

On 29 December 2023 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Equity Interest in Jinzhong Development, which in turn owns and controls approximately 67% of the equity interest in Jinzhong Xiya, in accordance with the terms and conditions of the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are set out below:

Date:	29 December 2023
Parties:	Chenxing Real Estate Development Co., Ltd.* (辰興房地產發展有限公司) (as the Vendor)  Jinzhong Development Zone Development and Construction Group Co., Ltd.* (晉中開發區開發建設集團有限公司) (as the Purchaser)
Subject matter:	The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interest of Jinzhong Development.

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## LETTER FROM THE BOARD

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Consideration and payment term: The total consideration for the Disposal is RMB100,600,000 (equivalent to approximately HK\$110,549,451). An actual sum of RMB34,789,345.33 (equivalent to approximately HK\$38,230,049.81) shall be payable by the Purchaser to the Vendor at Completion in cash, as the following payments shall be set off from the total consideration for the Disposal:

- (i) an outstanding dividend of RMB36,702,300 (equivalent to approximately HK\$40,332,197.8) payable from Jinzhong Development to the Vendor;
- (ii) an outstanding sum of RMB100,953,018.16 (equivalent to approximately HK\$110,937,382.59) payable from Vendor and its related companies to Jinzhong Development; and
- (iii) a transition cost of RMB1,559,936.51 (equivalent to approximately HK\$1,714,215.95) payable by the Vendor to Jinzhong Development for the Disposal.

Conditions precedent: Completion is subject to (1) the Purchaser being the successful bidder of the Equity Interest during the Public Tender Period; (2) the Shareholders having passed a resolution at a general meeting or by way of written approval from Shareholder(s) who hold more than 50% of the voting rights in lieu of holding a general meeting (if applicable) to approve the Equity Transfer Agreement and the Disposal, and the satisfaction of any other requirements under the Listing Rules by the Company; and (3) the Purchaser receiving no objection for the acquisition of the Equity Interest during the Public Display Period.

All the conditions precedent are non-waivable whether in whole or in part.

As at the date of the circular, all of the conditions precedent have been fulfilled.

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## LETTER FROM THE BOARD

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### **Basis of consideration in respect of the Disposal**

The consideration in respect of the Disposal of the Equity Interest in Jinzhong Development, which represents 51% of the entire equity interest in Jinzhong Development, is determined primarily with reference to (1) the proportionate appraised asset value of the entire equity interest of Jinzhong Development by the Business Valuer using asset-based approach, being approximately RMB100,615,200 (equivalent to approximately HK\$110,566,200), representing a premium of approximately 0.02% over the consideration; (2) the consolidated book value of the underlying assets of Jinzhong Development Group, being approximately RMB155.5 million (equivalent to approximately HK\$170.9 million), the proportionate value of which being approximately RMB79.3 million (equivalent to approximately HK\$87.1 million), representing a discount of approximately 21.2% to the consideration; (3) the current adverse market conditions and property market sentiments in the PRC; and (4) the factors set out in the paragraph headed “Reasons for and Benefits of the Disposal” below.

### **Board’s assessment on the valuation of the Equity Interest and the underlying properties of Jinzhong Development Group**

#### *Valuation in respect of the Equity Interest*

In assessing the basis of the consideration in respect of the Disposal, the Company has engaged the Business Valuer to appraise the value of the equity interest of Jinzhong Development Group. According to the Business Valuation Report, the appraised consolidated net assets of Jinzhong Development Group as at 30 September 2023 was approximately RMB197,284,700 (equivalent to approximately HK\$215,697,473) using the asset-based approach. The proportionate appraised asset value of the entire equity interest of Jinzhong Development Group, accordingly, is approximately RMB100,615,200 (equivalent to approximately HK\$110,566,200).

The Board is of the view that the scope, methodologies and assumptions adopted by the Business Valuer in respect of the Equity Interest are fair and reasonable.

With regard to the valuation of the Equity Interest, the Board understands from the Business Valuer that (I) the income approach is not an adequate approach for the valuation of the Equity Interest because (a) Jinzhong Development Group is currently in the suspension stage, and development and construction have not yet begun for the land parcels (other than land parcels comprising a portion of Phase I of Yijun Community (頤郡小區) and the land parcel comprising Xiyuan (熙苑)); and (b) the economic characteristics, market structure factors, industry life cycle, industry prosperity and other factors of the real estate industry changed significantly, making it impossible to make reasonable predictions on future operations and income, and thus it is not appropriate to adopt the income approach for valuation; (II) the market approach is not applicable

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## LETTER FROM THE BOARD

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for the valuation of the same, as there are insufficient comparable market transactions available for the derivation of the fair value of Jinzhong Development Group; and thus (III) the asset approach is the most appropriate valuation approach to value the Equity Interest and the adjusted net assets value method under the asset approach has been applied in the valuation of the same.

The Board considers the assumption of the Business Valuer that the information related to the valuation as obtained from the Board and others in relation to Jinzhong Development Group (including financial information) is accurate and complete to be reasonable.

In arriving at its appraisal result, the Business Valuer had, among others, assumed that:

- (1) The ownership of the appraised assets being in good condition and tradable in the market, not subject to any lien and easement, have not been violated and bearing no other encumbrances;
- (2) All certificates, licenses, letters of consent or other legal or administrative authorization documents signed or issued by relevant local and national governmental institutions, private organisations or groups which are required have been obtained or updated; and
- (3) All the significant or potential factors which may affect the valuation analysis have been fully disclosed between us and the valued entity.

In respect of the financial information of the Group, the Business Valuer had relied on the auditors' report as prepared by Shanxi Huayi Accounting Firm Co., Ltd.\* (山西華益會計師事務所有限公司), an auditor registered under the Shanxi Finance Bureau (山西省財政廳) and a qualified auditor in the PRC.

In respect of information relating to property and title ownership, the Business Valuer had relied on the legal opinion prepared by Shanxi Dingzheng Law Firm \*(山西鼎正律師事務所), a law firm registered at Shanxi Judiciary Bureau (山西省司法廳) and a qualified law firm in the PRC. The Board understood that according to the legal opinion, each of Jinzhong Development and Jinzhong Xiya are holders of the respective land use rights and possessed State-owned Land Use Rights Certificate (《國有土地使用權證》), which is recognized and protected by the PRC law, and the respective land use rights are not encumbered.

Furthermore, with respect to the Business Valuation Report, considering that the assets of Jinzhong Development Group have clear property rights and complete financial information, all assets and liabilities can be identified. The appraised assets can be identified in terms of their quantities based on financial information and purchase and construction information and verified in terms of their quantities through on-site surveys. As such, the asset-based approach was adopted

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## LETTER FROM THE BOARD

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for the preparation of the Business Valuation Report. According to the requirements of the relevant standards for asset appraisal, the appraisal under the Business Valuation Report has taken into full consideration, among other things, the relevant requirements for the purpose of appraisal, the subject and scope of appraisal and the type of value. The Business Valuer has adopted the asset-based approach for appraisal through on-site inspection of the subject of appraisal and the collection and analysis of relevant information.

### *Valuation in respect of the underlying properties of Jinzhong Development Group*

Pursuant to Rule 5.03 of the Listing Rules, since the consolidated assets of Jinzhong Development Group comprises mainly of property interest including residential properties and carparking spaces, a separate valuation has also been conducted in respect of the property interests concerned. The Company has engaged the Property Valuer to appraise the value of the underlying properties of Jinzhong Development Group, comprising (1) three phases of mixed-use residential and commercial developments, namely Yijun Community (頤郡小區); and (2) residential properties and carparking spaces from mixed-use residential and commercial developments, namely Xiyuan (熙苑). According to the Property Valuation Report, the aggregated market value attributable to the Group of the property interests to be disposed of by the Group amounted to approximately RMB140 million, representing approximately 39% premium over the consideration in respect of the Disposal. For further details, including the market valuation of the property interests concerned, valuation methodology and other general information, please refer to the Property Valuation Report in Appendix III of the circular.

The Board is also of the view that the scope, methodologies and assumptions adopted by the Property Valuer in respect of the underlying property interests of Jinzhong Development Group are fair and reasonable.

For the valuation of the underlying property interests of Jinzhong Development Group, the Board understood that (i) the direct comparison method under the market approach is considered the most preferable and generally accepted method to adopt when market comparables are available; (ii) the Property Valuer had analysed recent market transaction evidences of properties within neighbouring region of the properties concerned and similar developments which have characteristics comparable to the properties concerned (the “**Comparable Properties**”); (iii) the Comparable Properties represent an exhaustive list to the best of the Property Valuer knowledge; and (iv) relevant adjustments were made by the Property Valuer to reflect the difference between the Comparable Properties and the properties concerned in terms of attributes including but not limited to time, location, size, land use and density. Accordingly, the Board concurs with the valuer that the selection of Comparable Properties used in the valuation of the Property and the basis of the adjustments made are fair and reasonable.

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## LETTER FROM THE BOARD

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### *Fairness and reasonableness of the consideration in respect of the Disposal*

The Group is principally engaged in property development with focus on development projects of residential and commercial properties. Over the recent years, the real estate market in the PRC has faced significant challenges. Adverse macroeconomic conditions, exacerbated by the then ongoing COVID-19 pandemic and geopolitical conflicts, have led to decreased demand, supply chain disruptions, and diminished market optimism. The industry has been further impacted by regulatory measures addressing the high leverage risks among certain real estate firms, leading to a contraction in financing options. Additionally, the escalating liquidity crisis has fueled a cautious approach among prospective property buyers and investors, further dampening the willingness to engage in property transactions, thereby affecting real estate sales negatively.

For the year ended 31 December 2023, both the primary and secondary housing markets experienced a downturn, exerting additional downward pressure on property values. The real estate sector has been hampered by a variety of factors, including a stricter lending environment, restricted access to financing, a sluggish sales landscape, and increasing debt repayment obligations. These conditions have precipitated a widespread emergence of credit risk, defaults, and challenges in repaying investment products, significantly undermining market confidence.

The Group relies on borrowings from financial institutions for its property development projects, which imposes interest burden on the Group and increases the liquidity needs of the Group. As disclosed in the interim report of the Company for the six months ended 30 June 2023, the Group had outstanding bank borrowings of approximately RMB3,089.0 million as at 30 June 2023, and the Group had outstanding bank borrowings of approximately RMB3,155.1 million as at 31 December 2022. As further disclosed in the annual report of the Company for the year ended 31 December 2022, to address material uncertainties as to the ability of the Group to continue as a going concern and mitigate the liquidity pressure of the Group, the Board had planned to dispose commercial properties of the Group which are non-core business of the Group to generate more cash inflows.

The Board had noted that the consideration in respect of the Disposal of the Equity Interest, being RMB100,600,000 (equivalent to approximately HK\$110,549,451), represents a discount of approximately 0.02% to the appraised value under the Business Valuation Report and approximately 39% to the appraised value under the Property Valuation Report, respectively.

Prior to entering into the Equity Transfer Agreement, the Group has been looking for potential purchaser of the Equity Interest and its underlying assets for a substantial period of time. In accordance with the applicable PRC rules requirement, the Vendor has also advertised the Disposal of the Equity Interest by Public Tender on the Jinzhong Asset Exchange in order to seek potential purchaser for the Equity Interest. The Purchaser, being an existing shareholder of

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## LETTER FROM THE BOARD

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Jinzhong Development Group and an entity ultimately controlled by Jinzhong City People's Government (晉中市人民政府), is the only party who expressed interest in acquiring the Equity Interest and the underlying properties of the Jinzhong Development Group.

While the consideration represents a discount to the valuation results under the Business Valuation Report and the Property Valuation Report, in view of the prevailing property market conditions in the PRC and the financial position of the Group, the Board believes that the Disposal will allow the Group to realise its majority shareholding stakes in Jinzhong Development Group and to replenish the working capital of the Group. Accordingly, the Company agreed to the consideration in respect of the Disposal of the Equity Interest.

Having considered and taking into account (i) the fact that the Business Valuation Report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Business Valuer; (ii) that the Business Valuer had reviewed relevant financial information, operational information and other relevant data concerning Jinzhong Development Group; (iii) the reasons for the adoption of the asset-based approach for the valuation of the Equity Interest of Jinzhong Development, the methodologies and assumptions adopted by the Business Valuer, the scope of the valuation and the valuation results; (iv) the valuation results in respect of the property interests concerned under the Property Valuation Report; and (v) the factors as indicated in the section headed "Reasons for and Benefits of the Disposal" below, the Directors consider that the appraisal results reflected the value of the Equity Interest of Jinzhong Development and are fair and reasonable.

### **Procedures for Public Tender and Public Display**

The Equity Interest is regarded as state-owned assets under the relevant PRC rules. Therefore, the transfer of the Equity Interest is subject to Public Tender during the Public Tender Period and Public Display during the Public Display Period. The Vendor and the Purchaser had jointly appointed Jinzhong Asset Exchange to facilitate the procedures for Public Tender and Public Display.

### **INFORMATION ON JINZHONG DEVELOPMENT GROUP**

Jinzhong Development is a limited liability company established in the PRC and is principally engaged in sales and development of real estate properties.

Jinzhong Xiya is a limited liability company established in the PRC and is principally engaged in sales and development of real estate properties. Jinzhong Xiya is owned as to approximately 67% by Jinzhong Development, and approximately 33% by Xi'an Yajule Enterprise Management Consulting Co., Ltd.\* (西安雅居樂企業管理諮詢有限公司).

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## LETTER FROM THE BOARD

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The underlying assets of Jinzhong Development Group comprising mainly:

- (1) three phases of mixed-use residential and commercial developments, namely Yijun Community (頤郡小區) project;
- (2) residential properties and carparking spaces from mixed-use residential and commercial developments, namely Xiyuan (熙苑) project (which is held through equity interest of Jinzhong Development in Jinzhong Xiya); and
- (3) account receivable in the amount of approximately RMB958 million (equivalent to approximately HK\$1.05 billion).

Both Yijun Community (頤郡小區) and Xiyuan (熙苑) are located on Huazhang Street of the Development District of Jinzhong City (晉中市開發區化章街). The sale of a portion of Phase I of the mixed-use properties from Yijun Community (頤郡小區) project had commenced in January 2019 and the construction was completed in November 2020. The sale of the residential properties from Xiyuan (熙苑) project had commenced in December 2018 and the construction was completed in December 2020. A portion of Phase I, the entire Phase II and the entire Phase III of Yijun Community (頤郡小區) are vacant land parcels that are yet to be developed and are currently vacant.



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## LETTER FROM THE BOARD

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The proceeds from the Disposal, a majority of which will be utilised for the purpose of repayment of existing bank loans of the Group, will improve the liquidity position of the Company, replenish the working capital of the Group and reduce its debt burden, thereby strengthening the financial stability.

The Board is also of the view that the Disposal will position the Group more favorably for future opportunities, reallocate its financial resources for optimizing its operational efficiency and enhancing return to the Group, allowing for the potential acquisition or investment in other land parcels or property projects with a healthier balance sheet.

Accordingly, the Directors (including all the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon completion of the Disposal, Jinzhong Development and Jinzhong Xiya will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

It is estimated that an unaudited gain of approximately RMB9.1 million (equivalent to approximately HK\$10 million) will arise from the Disposal. Such estimated unaudited gain is calculated by deducting:

- (i) the total consideration for the Disposal in the amount of RMB100,600,000 (equivalent to approximately HK\$110,549,451);

with

- (ii) the carrying amount of the disposed net assets of Jinzhong Development Group attributable to the Group as at 31 December 2023 of RMB91,495,092 (equivalent to approximately HK\$100,544,057).

The expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB23.5 million (equivalent to approximately HK\$25.8 million) to be received by the Company from the Disposal will be used for repayment of bank loans and replenishment of general working capital of the Group. Subject to actual circumstances, the Group intends to apply (i) approximately RMB10 million (equivalent to approximately HK\$10.99 million) for repayment of bank loans; and (ii) the remaining proceeds of approximately RMB13.5 million (equivalent to approximately HK\$14.8 million) for general working capital.

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## LETTER FROM THE BOARD

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### INFORMATION ABOUT THE GROUP AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are principally engaged in property development with focus on development projects of residential and commercial properties. The Vendor is an indirect wholly-owned subsidiary of the Company.

The Purchaser is a limited liability company established in the PRC which is principally engaged in the investment and management urban infrastructure and sales and development of land and real estate property in the PRC. The Purchaser is owned as to 65% by Jinzhong Management Committee and 35% by Jinzhong Public Utilities Infrastructure Holding Group Co., Ltd. (晉中市公用基礎設施投資控股(集團)有限公司), both of which being ultimately controlled by Jinzhong City People's Government (晉中市人民政府).

### LISTING RULES IMPLICATION

The Purchaser is a substantial shareholder of Jinzhong Development which holds 49% equity interest in Jinzhong Development as of the date of this circular. As Jinzhong Development is an indirect non-wholly owned subsidiary of the Company, the Purchaser is therefore a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company.

Given that (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the Disposal; and (iii) the independent non-executive Directors have confirmed that (1) the terms of the transactions are fair and reasonable, (2) the transactions are on normal commercial terms or better and (3) in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

White Dynasty BVI, being the controlling Shareholder directly holding 346,944,000 Shares (representing approximately 57.82% of the total number of issued Shares as at the date of this circular), has given its written approval for the Equity Transfer Agreement and the Disposal. To the best knowledge, information and belief of the Directors, as at the date of this circular, after having made all reasonable enquiries, no Shareholders or any of their respective associates have

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## LETTER FROM THE BOARD

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any material interest in the Equity Transfer Agreement and the Disposal. As such, no Shareholder is required to abstain from voting on the resolution approving the Equity Transfer Agreement and the Disposal if the Company is to convene a general meeting. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

None of the Directors had material interests in the transactions or was required to abstain from voting on the relevant resolutions of the Board.

### **RECOMMENDATION**

The Directors (including all the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Equity Transfer Agreement and the Disposal, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolutions to approve the Equity Transfer Agreement and the Disposal.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
By order of the Board  
**Chen Xing Development Holdings Limited**  
**Bai Xuankui**  
*Chairman*

## 1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chen-xing.cn>):

- annual report of the Company for the year ended 31 December 2020 (pages 279-396) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042702148.pdf>)
- annual report of the Company for the year ended 31 December 2021 (pages 297-404) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800690.pdf>)
- annual report of the Company for the year ended 31 December 2022 (pages 298-404) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042801114.pdf>)
- interim report of the Company for the six months ended 30 June 2023 (pages 84-108) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0928/2023092800797.pdf>)

## 2. STATEMENT OF INDEBTEDNESS

### **Indebtedness Statement**

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the details of the Group's indebtedness and contingent liabilities (unaudited) were as follows:

### ***Bank and other borrowings***

As at 31 January 2024, the Group had outstanding bank and other borrowings of approximately RMB3,033,852,000. The borrowings comprised (i) unsecured and unguaranteed other borrowings of approximately RMB46,500,000; (ii) unsecured and guaranteed bank borrowings of approximately RMB330,400,000; (iii) secured and guaranteed bank borrowings of approximately RMB2,606,952,000 and (iv) secured and unguaranteed other borrowings of approximately RMB50,000,000.

The aforesaid secured bank and other borrowings were secured by the shares of subsidiaries of the Group, Group's building, property under development and properties held for sale.

***Amounts due to related parties and directors***

As at 31 January 2024, the Group had outstanding amounts due to related parties of approximately RMB216,600,000 and due to directors of approximately RMB63,704,000, which were unguaranteed and unsecured.

***Guarantees***

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificate of the properties concerned. As at 31 January 2024, such guarantees totaled of approximately RMB1,520,614,000.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the normal course of business, as at the close of business on 31 January 2024, the Group did not have any debt securities issued or outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**3. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statement of the Group were made up.

**4. WORKING CAPITAL**

As at 31 December 2023, bank loans with interest payable of approximately RMB4,314,000 had not been repaid according to their scheduled repayment date. As the Group failed to repay the loan interests in accordance with the repayment schedule for the year ended 31 December 2023, the related loans became immediately due in accordance with terms of loan agreements. Hence, the entire principal of approximately RMB321,817,000 together with interest payable and penalty interest of approximately RMB4,314,000 and approximately RMB180,000 respectively were classified as current liabilities at 31 December 2023.

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, the delay of repayment of the above borrowings may trigger the rights to request for immediate repayment term of certain borrowings with

principal amount of approximately RMB2,438,465,000. Hence, the entire amount of the borrowings became immediately payable and has been classified as current liabilities as at 31 December 2023.

In the preparation of the Group's working capital forecast, the Directors have given careful consideration to the Group's future liquidity and performance and its available sources of financing to continue as a going concern. The working capital forecast for the Forecast Period have been prepared with the following major assumptions and events being taken into account of:

- (i) the Disposal will be completed in the first half of 2024 and the payment of the consideration will be settled in accordance with the Equity Transfer Agreement;
- (ii) the lenders in respect of the borrowings that have the rights to demand for immediate repayment will not exercise their rights to demand immediate repayment of the relevant loans and prior to their scheduled contractual repayment dates;
- (iii) lenders of other loans with maturity dates due during the Forecast Period will extend their maturity dates and will not demand partial or full repayment of the loans; and
- (iv) the core business operation, asset base of the Group and the market conditions in which the Group operates and/or invests in will not differ materially from those of present.

As a result of the borrowings that might be demanded for immediate repayment, the future operating cash inflow of the Group may not be sufficient to match the repayment schedule of borrowings and relevant interest payment.

The Board has continuously devoted effort to resolve the liquidity issue mentioned above. In view of these circumstances and to address the issue on working capital sufficiency, the Company has taken and propose to take the following measures:

- (i) the Group verbally agreed with the Group's lenders not to enforce their rights of requesting for immediate repayment and to renew or extend the borrowings prior to their respective maturity dates;
- (ii) The Group is in active negotiations with the lenders in respect of the borrowings that have the rights to demand for immediate repayment for a debt restructuring so as to settle the borrowings by using the proceeds from new borrowing plans;

- (iii) the directors of the Group have prepared a business strategy plan mainly focuses on the acceleration of the pre-sales and sales of its properties under development and completed projects in order to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtors' turnover days, and the implementation of cost control measures; and
- (iv) The Company will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

As of the date of this circular and within twelve months from the date of this circular, the Board does not plan to dispose equity interests in project development companies comprising core business of the Group. Furthermore, the Company does not plan to significantly downsize the operation of its principal business.

Taking into account the assumption stated above, with the successful implementation of the measures mentioned above, the Directors are of the opinion that the Group would have had sufficient working capital for at least the Forecast Period from the date of the circular.

During the year ended 31 December 2023 and up to the date of this circular, the Directors had not received any notices or requests from banks and other company for immediate repayment of the borrowings that have the rights to do so.

Subsequent to 31 December 2023 and as of the date of this circular, the Group obtained new borrowing facilities of RMB250 million. Following the successful renewal of bank and other borrowings of approximately RMB855,972,000 during the year for terms ranging from nine months to three years, the management expected that the Group would be able to renew bank and other borrowings with an aggregate outstanding principal of RMB2,815,782,000 that are repayable within one year for another year prior to their respective maturity dates.

Notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group's ability to continue as going concern, which depends on (i) whether it can successfully negotiate with the lenders on the extension or deferral of the repayment of the Group's borrowings, renewal of existing borrowings upon maturity and the new borrowing plans and (ii) the successful implementation of measures described above in the normal course of businesses.

Shareholders should note that the validity of the statement of the working capital sufficiency of the Group as mentioned above depends on the outcome of the above-mentioned plans and measures undertaken/being undertaken by the Group, which are subject to uncertainties. Should the Group fail to achieve the above-mentioned consideration and measures, the Group may not have sufficient working capital for its requirements for at least the Forecast Period.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

## **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the first half of 2023, the real estate industry was under serious downward pressure. Regarding the real estate industry, as leading real estate companies successively experienced capital chain rupture and were under greater financing pressure, they were less willing to make investment and hence resulted in a decrease in the new construction area. Regarding the real estate market, it showed a trend of rise before fall. In the first quarter, with the adjustment to the purchase restriction policies in first-tier and second-tier cities, both sales and sales area increased significantly. However in the second quarter, with the concentrated release of consumer demand, the demand for housing for home upgrades increased and the sales index gradually declined.

It is expected that the real estate market in the PRC will focus on the general principles of guaranteeing delivery of housing, people's livelihood and stability. The real estate policy will be more inclined to establish a new model for the development of the real estate industry, standardize the management of the real estate industry, and optimize the development structure of the industry, to ultimately resolve the risks of the real estate industry and the market. With the improvement of the macro environment, it is expected that the real estate market will gradually recover. However, due to the strong wait-and-see sentiment in the market, lack of consumer confidence and reduced purchasing power, the market recovery process will be slow in the short term.

Given the current situation of the real estate market in the PRC and the forecast of future development, while the Company does not plan to significantly downsize the operation of its principal business, the Company will proactively make corresponding adjustments to its business strategy, adjust its marketing strategy in a timely manner, and seek market breakthroughs to revitalize its existing assets and accelerate sales collection, to improve the Company's operating status from the sales side and improve the ability to deal with and resolve risks. In the meantime, the Company will seek financial support and partners through multiple channels to prevent and resolve the risk prevention and control of the Company. In addition, in view of the insufficient working capital, the Directors will consider realising part of the Group's property interests if considered necessary. Save for the above, the Group has no intention to dispose of or scale down its remaining business or assets.

*The following is a summary of the valuation report dated 21 December 2023 prepared by the Property Valuer in connection with its valuation of Jinzhong Development as at 30 September 2023 for the purpose of, among others, inclusion in this circular.*

**Summary of Valuation Report**  
**The Entire Shareholders' Interests in**  
**Jinzhong Development Zone Real Estate Development Co., Ltd.\***  
**(晉中開發區房地產開發有限公司)**  
**Involved in the Equity Transaction by**  
**Chenxing Real Estate Development Co., Ltd.\***  
**(辰興房地產發展有限公司)**

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To: Chenxing Real Estate Development Co., Ltd.\*(辰興房地產發展有限公司)

Shanxi Jiahao Real Estate Asset Appraisal Co., Ltd.\*(山西家豪房地產資產評估有限公司) accepted the appointment by Jinzhong Development Zone Real Estate Development Co., Ltd.\* (晉中開發區房地產開發有限公司) (“**Jinzhong Development**”) to perform a valuation on the market value as at 30 September 2023 of the entire shareholders’ interests in Jinzhong Development, which constitutes the subject-matter of the proposed equity transaction by Chenxing Real Estate Development Co., Ltd.\*(辰興房地產發展有限公司). The valuation was conducted by adopting the asset-based approach, in accordance with necessary valuation procedures and the requirements under relevant laws, administrative regulations and asset valuation standards, and following the principle of independence, objectivity and fairness. The asset valuation is hereby reported as follows:

- I. Valuation purpose: Due to the equity transfer, Jinzhong Development entrusted us to conduct a valuation on the value of its entire shareholders’ interests, in order to provide a value reference for its equity transfer.
- II. Valuation subject and scope of valuation: The valuation subject is the entire equity interest in Jinzhong Development. The scope of valuation covers the assets and liabilities in the balance sheet of Jinzhong Development as of the appraisal reference date (exclusive of Longtian and affordable housing projects), including current assets, non-current assets, current liabilities and non-current liabilities.
- III. Type of value: Market value.
- IV. Appraisal reference date: 30 September 2023.
- V. Valuation method: Asset-based approach.

## 1. BASIS OF VALUATION

The basis of valuation on which this asset valuation was conducted mainly includes the basis of economic activity, the basis of laws and regulations, the basis of valuation criteria, the basis of asset ownership, as well as the pricing basis and other reference information, as follows:

### 1.1 Laws and regulations

1. The Asset Appraisal Law of the People's Republic of China (Order No. 46 of the President of the People's Republic of China) (implemented since 1 December 2016);
2. Measures for Financial Supervision and Administration of the Asset Valuation Industry (Order No. 86 of the Ministry of Finance, implemented since 1 June 2017);
3. The Law of the People's Republic of China on State-Owned Assets of Enterprises (passed at the 5th meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);
4. The Company Law of the People's Republic of China (as amended at the 6th meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
5. Measures for the Administration of Valuation of State-owned Assets (Order No. 91 of the State Council of 1991);
6. Implementation Rules for the Administrative Measures for Valuation of State-owned Assets (Guo Zi Ban Fa (1992) No. 36 issued by the former State-owned Assets Administration Bureau);
7. Land Administration Law of the People's Republic of China (as amended at the 12th meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
8. Urban Real Estate Administration Law of the People's Republic of China (as amended for the third time on 6 September 2019);
9. Civil Code of the People's Republic of China (as adopted at the 3rd meeting of the 13th National People's Congress on 28 May 2020);

10. Urban Planning Law of the People's Republic of China (Order No. 23 of the President of the People's Republic of China, 26 December 1989);
11. Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Right to Use State-owned Urban Land (Order No. 55 of the State Council, 19 May 1990);
12. Regulations for the Implementation of the Land Administration Law of the People's Republic of China (as amended on 8 January 2011);
13. Measures of Shanxi Province for Implementation of the Land Administration Law of the People's Republic of China (adopted at the 12th meeting of the Standing Committee of the 9th People's Congress of Shanxi Province on 26 September 1999);
14. Provisions on Certain Issues Concerning the Administration of Valuation of State-owned Assets (Order No. 14 of the Ministry of Finance of the People's Republic of China, implemented since 1 January 2002);
15. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council of 2003, as amended by Order No. 588 of the State Council);
16. Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of SASAC, 25 August 2005);
17. Opinions of the Ministry of Finance on Reforming the Administrative Management Approach of Valuation of State-owned Assets and Strengthening the Supervision and Administration of Asset Valuation (Guo Ban Fa [2001] No. 102, 2001);
18. Notice on Relevant Issues Concerning Strengthening the Administration of Valuation of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
19. Policies and regulations on finance, accounting, taxation and asset management of enterprises formulated by the Ministry of Finance, the Head Office of the People's Bank of China, the State Administration of Taxation and the former State-owned Assets Administration Bureau;
20. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Ministry of Commerce, National Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order [2012] No. 12);
21. Other laws and regulations related to asset appraisal.

**1.2 Basis of criteria and normative documents**

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
2. Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation —Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation —Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation —Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation —Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation —Use of Experts' Work and Related Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation —Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);
9. Practicing Standards for Asset Valuation —Enterprise Value (Zhong Ping Xie [2018] No. 38);
10. Practicing Standards for Asset Valuation —Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation —Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
12. Guidelines for Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
13. Notice of China Appraisal Society on Issuing and Amending the Practicing Standards for Asset Valuation —Enterprise Value (Zhong Ping Xie [2018] No. 38);
14. Guiding Opinions on Types of Value in Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);

16. Guidelines for Business Quality Control of Asset Valuation Institutions (Zhong Ping Xie [2017] No. 46);
17. Regulations for Evaluation of Urban Lands (GB/T18508-2001);
18. Code for Real Estate Appraisal (GB/T50291-2015);
19. Standard for Basic Terminology of Real Estate Appraisal (GB/T50899-2013);
20. Other criteria basis.

### **1.3 Economic behaviour documents**

1. Meeting Minutes of the Party Working Committee of Shanxi Transformation Comprehensive Reform Demonstration Zone Jinzhong Development Zone [2019] No. 33;
2. Meeting Minutes of the Party Committee of CPC Jinzhong Development Zone Development and Construction Group Co., Ltd. [2021] No. 16;
3. Document of Chenxing Real Estate Development Co., Ltd. (Chen Xing Fa Zhan Zi [2021] No. 14).

### **1.4 Ownership basis and major contract documents**

1. Copies of the State-owned Land Use Certificate and the Real Estate Title Certificate;
2. Motor vehicle driving license, registration certificate, fixed assets purchase invoice;
3. Purchase and construction contracts and purchase invoices of assets to be appraised;
4. Accounting books and vouchers of assets to be appraised;
5. Other title certificates.

**1.5 Basis of pricing**

1. LandChina.com(中國土地市場網);
2. Recent construction project quota and material price difference documents and other relevant information;
3. Land grading and benchmark land price update technical report of Jinzhong Economic and Technological Development Zone;
4. Quotation Manual of Mechanical and Electrical Products;
5. Manual of Commonly Used Methods and Parameters for Asset Valuation;
6. Common Technical Indicators and Parameters for Asset (Price) Valuation;
7. Inquiry to manufacturers and agents and online inquiry by appraisers;
8. Other relevant valuation information recorded and collected by appraisers during field investigation;
9. Statistical data, technical standards data and price information data issued by relevant national departments
10. Information on inquiry and pricing parameters collected by us, etc.

**1.6 Other basis**

Jin Hua Yi Cai Shen [2023] No. 0262 (Consolidated) Audit Report of Jinzhong Development.

## 2. VALUATION METHODOLOGY

The income approach refers to a general term for various valuation methods that determine the value of the valuation subject by capitalising or discounting its expected income. The income approach includes a variety of specific methods, such as the income sharing method in the valuation of intangible assets, etc. The application of the income approach shall be subject to simultaneous satisfaction of the following three conditions: first, the future income of the valuation subject can be reasonably expected and measured in monetary terms; second, the risks associated with the expected income can be measured; third, the period of future income can be determined or reasonably expected.

The valued entity is currently in the suspension stage, and development and construction have not yet begun for the remaining land. In addition, in recent years, the economic characteristics, market structure factors, industry life cycle, industry prosperity and other factors of the real estate industry changed significantly, making it impossible to make reasonable predictions on future operations and income. Therefore, it is not appropriate to adopt the income approach for valuation.

The market approach, also known as comparison approach and market comparison approach, refers to the general term for evaluation methods that determine the value of valuation subject based on the market price of the comparable reference objects by comparing the valuation subject with comparable reference objects. The application of the market approach shall be subject to simultaneous satisfaction of the following two conditions: first, the comparable reference objects of the valuation subject are actively traded in the open market; second, necessary information of the relevant transactions is available.

Since the domestic equity transaction market is not yet fully developed, it is difficult to obtain the same or similar transaction cases from the market, and it is impossible to obtain reasonable reference data. Therefore, the market approach cannot be used.

The asset-based approach refers to the valuation method that reasonably determines the value of valuation subject by appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheet of the valued entity as of the appraisal reference date.

Given that the various assets and liabilities of the valued entity on and off the balance sheets can be identified as at the appraisal reference date, the valuation of identifiable assets and liabilities can be individually appraised by appropriate valuation approaches. As the valued entity does not have assets and liabilities which are unidentifiable and may have material impact to the valuation conclusion, the adoption of asset-based approach is the most appropriate approach for the valuation.

### 3. VALUATION CONCLUSION

Having taken into account the above factors together with the purpose of this valuation and the characteristics of the valuation subject, we adopt the asset-based approach for the valuation of the entire shareholders' interests in Jinzhong Development.

In accordance with the valuation conducted under the asset-based approach, the valuation conclusion of the entire shareholders' interests in Jinzhong Development as at the appraisal reference date, i.e. 30 September 2023, was as follows:

The book value of total assets was RMB3,381,031,000, the appraised value was RMB3,462,919,900 and the appreciation amount was RMB81,888,900 with the appreciation rate at 2.42%; the book value of total liabilities was RMB3,265,635,200 and the appraised value was RMB3,265,635,200, without appreciation or depreciation; the book value of net assets was RMB115,395,800, the appraised value was RMB197,284,700 and the appreciation amount was RMB81,888,900 with the appreciation rate at 70.96%.

For further details of the valuation results, please refer to the following table:

*Unit: RMB0'000*

Items	Book value	Appraised value	Appreciation/ depreciation	Appreciation/ depreciation rate (%)	
	A	B	C=B-A	D=C/A×100%	
1	Current assets	333,097.60	340,464.74	7,367.14	2.21
2	Including: inventories	223,588.76	230,955.90	7,367.14	3.29
3	Non-current assets	5,005.50	5,827.25	821.75	16.42
4	Including: Long-term equity investment	5,000.00	5,786.73	786.73	15.73
5	Fixed assets	5.50	40.52	35.02	636.73
<b>6</b>	<b>Total assets</b>	<b>338,103.10</b>	<b>346,291.99</b>	<b>8,188.89</b>	<b>2.42</b>
7	Current liabilities	294,514.40	294,514.40	—	—
8	Non-current liabilities	32,049.12	32,049.12	—	—
<b>9</b>	<b>Total liabilities</b>	<b>326,563.52</b>	<b>326,563.52</b>	<b>—</b>	<b>—</b>
<b>10</b>	<b>Net assets (owners' equities)</b>	<b>11,539.58</b>	<b>19,728.47</b>	<b>8,188.89</b>	<b>70.96</b>

Upon valuation on assets and liabilities within the valuation scope by using the assets-based approach, the value of the entire equity interest in Jinzhong Development was RMB197,284,700. There were differences between the appraised value of certain assets and liabilities and their book values. The details and main reasons of the difference in the appraised value and their respective book value is attributable to the following items:

### 3.1 Current assets

The current assets under the scope of valuation included monetary funds, prepayments, other receivables, inventories and other current assets.

*Unit: RMB*

	Book value	Appraised value	Appreciation/ depreciation amount	Percentage of appreciation/ depreciation (%)
Current assets	A	B	C=B-A	D=C/A×100%
Monetary funds	17,478,518.46	17,478,518.46	—	—
Prepayments	12,900,078.89	12,900,078.89	—	—
Other receivables	957,741,208.40	957,741,208.40	—	—
Including: dividends receivable	61,683,500.00	61,683,500.00		
Inventories	2,235,887,579.41	2,309,558,966.24	73,671,386.83	3.29
Other current assets	106,968,609.83	106,968,609.83	—	—
<b>Total current assets</b>	<b><u>3,330,975,994.99</u></b>	<b><u>3,404,647,381.82</u></b>	<b><u>73,671,386.83</u></b>	<b><u>2.21</u></b>

The appraisal results of inventories (which comprised (1) development costs and (2) product development), are set out as follows:

	<i>Unit: RMB</i>			
	Book value	Appraised value	Appreciation/ depreciation amount	Percentage of appreciation/ depreciation (%)
Current assets	A	B	C=B-A	D=C/A×100%
Development costs	2,207,463,237.67	2,293,468,484.97	86,005,247.30	3.90
i. Self-operated projects	155,363,809.97	241,369,507.27		
ii. Entrusted construction project	2,052,099,427.70	2,052,099,427.70 <sup>(Note 1)</sup>		
Product development	<u>28,424,341.74</u>	<u>16,090,481.27</u>	<u>-12,333,860.47</u>	<u>-43.39</u>
<b>Total inventories</b>	<b><u>2,235,887,579.41</u></b>	<b><u>2,309,558,966.24</u></b>	<b><u>73,671,386.83</u></b>	<b><u>3.29</u></b>

*Note:*

- (1) Entrusted construction projects are excluded from the scope of valuation for the reasons stated under Special Note (II). The appraisal value for development costs is calculated by adding the appraisal value of self-operated projects and the book value of the entrusted construction projects.

Development costs under the scope of valuation comprise land acquisition price for self-operated projects, deed taxes, survey fees, design fees, construction road water and power project fees, and other infrastructure fees, engineering survey fees, etc.. Development products comprise unsold residence and commercial properties and carparking spaces from Phase I of Yijun Community (頤郡小區一期).

The reasons for appreciation of the appraisal value in respect of development costs, and the depreciation of the appraisal value in respect of product development, are as follows:

- (1) The appreciation of development cost is mainly due to the increase in the market price of the four land parcels included therein, resulting in the appreciation of the value of such assets.
- (2) The depreciation of product development is due to that its book value reflects the project investment cost, while the appraised value is the fair market value, which is the result after deducting subsequent transaction taxes and profits based on the market value of the project, resulting in depreciation of such assets.

The key quantified input values and assumptions used in the calculation of appraised values and the calculation process are as follows:

### 3.1.1 *Development costs*

#### 3.1.1.1 *Land transfer premium*

According to the Regulations for Valuation on Urban Land (城鎮土地估價規程), the prevailing valuation approaches include market comparison approach, cost approximation approach, land datum value approach, residue approach, etc. A valuation approach should be selected in accordance with the Regulations for Valuation on Urban Land (城鎮土地估價規程), the development condition of the local property market as well as the specific characteristics of the valuation object and the purpose of the valuation. The market comparison approach and the residue approach are selected for the land price valuation.

Market comparison approach: It is an approach that compares the valuation object and other similar land parcels with substitution nature traded recently in market on the valuation date based on the principle of substitution and correct the differences in the transaction price of similar land parcels, thus to estimate the price of the valuation object. As the valuation object is commercial and residential land and there are many cases of similar land transfer or transfer transactions in Jinzhong City in the last three years prior to the valuation date and there are comparison examples available for selection, it is appropriate to adopt the market comparison approach for calculation. The calculation formula is as follows:

$$P = PB \times A \times B \times C \times D \times E$$

Wherein:

P — price of land parcel subject to valuation

PB — price of comparison examples

A — transaction index of the land parcel subject to valuation/the transaction index of the land parcels as comparison examples

B — land price index of the land parcel subject to valuation on the valuation date/the land price of the land parcels as comparison examples on the transaction date

- C — regional factor index of the land parcel subject to valuation/the regional factor index of the land parcels as comparison examples
- D — individual factor condition index of the land parcel subject to valuation/the individual factor condition index of the land parcels as comparison examples
- E — term correction index of the land parcel subject to valuation/term correction index of the land parcels as comparison examples

**(A) Calculation of the residential land price of the valuation object using market comparison approach**

**(I) Land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414 and land parcel 4: Jin Kai Guo Yong (2016) No. 0207004**

***I. Selection of comparables***

*(1) Principles for selection of comparables:*

As land parcel 3 and land parcel 4 are residential land, the principle of selecting the same comparables is adopted in the valuation, as detailed below:

- In the adjacent or similar area within the same supply and demand circle of the valuation object;
- Similar use of the valuation object;
- The transaction price is a normal price or can be corrected to a normal price;
- The trading date shall be close to the valuation date;
- The comparables are normal transactions or can be corrected to normal transactions.

## (2) Selection of comparables:

In the valuation, the land use of land parcel 3 and land parcel 4 is set to be residential.

According to the above principles for selection of comparables, through the investigation and analysis of the land supply and demand circle of the valuation object, three normal transaction comparables, which are in the same land supply and demand circle and have similar uses and the same transaction type with the land parcel 3 and land parcel 4 and the transaction date close to the valuation date, are selected.

**BASIC INFORMATION ON COMPARABLES**

Information on comparables	Comparable 1	Comparable 2	Comparable 3
Project name	Project of Shanxi Chengyun Huaxing Real Estate Development Co., Ltd. at Nonggu Avenue	Project site of Jinzhong Yuci Yongxin Real Estate Development Co., Ltd.	Project site of Yuci City Construction Comprehensive Development Corporation
Location	North of Shizhao Street, west of Nonggu Avenue, VII District, Science and Technology Innovation Town	North of Anning West Street, West of Yuanqu Road	North of Shuncheng East Avenue, West of Jingsi Road
Total transaction price (RMB'0,000)	28,064	22,602	1,542
Land use	Residential land	Commercial and residential land	Commercial and residential land
Land use life	70 years for residential use	40 years for commercial use and 70 years for residential use	40 years for commercial use and 70 years for residential use
Construction land area (m <sup>2</sup> )	90,850.6	65,027.98	4,183.19
Apportioned residential area (m <sup>2</sup> )	90,850.6	58,525.18	3,848.53
Transaction unit price (RMB/m <sup>2</sup> )	3,089	3,476	3,686
Plot ratio	2.0	1.8	2.9
Transaction method	Listing for sale	Listing for sale	Listing for sale
Land development degree	Seven supplies and one leveling	Seven supplies and one leveling	Seven supplies and one leveling

Information on comparables	Comparable 1	Comparable 2	Comparable 3
Transaction date	2021/12/28	2022/4/21	2022/3/30
Source	landchina.com (中國土地市場網)	landchina.com (中國土地市場網)	landchina.com (中國土地市場網)

Among the above three comparables, the land parcel 3 and land parcel 4 are comprehensive commercial and residential land, while the land of the valuation object is for residential use, so it is required to adjust the use of comparables 2 and 3.

The price of the comparable 2 used in the valuation is the transaction price of the commercial and residential land as published on the landchina.com (中國土地市場網). The total transaction price of the comprehensive commercial and residential land is RMB226.02 million, the total land area is 65,027.98m<sup>2</sup>, and the transaction unit rate through calculation is RMB3,476/m<sup>2</sup>. After stripping and calculating the comprehensive commercial and residential land, the land prices for commercial and residential uses can be revealed respectively. According to the land transfer announcement of comparable 1, the land area of for commercial use is 6,502.8m<sup>2</sup> and the land area for residential use is 58,525.18m<sup>2</sup>. The site is located in commercial land grade 3 and residential land grade 2 of Jinzhong Development Zone. Through calculating based on the ratio of benchmark land prices (released in 2017) of commercial land (grade 3) to residential land (grade 2) (1.18:1) of the region, and stripping and calculating of the land prices of the lands for commercial use and residential use based on the proportion of commercial and residential land in comparable 2, the land price for residential use in comparable 2 is RMB3,414/m<sup>2</sup>.

The price of the comparable 3 used in the valuation is the transaction price of the commercial and residential land as published on the landchina.com (中國土地市場網). The total transaction price of the comprehensive commercial and residential land is RMB15.42 million, the total land area is 4,183.19m<sup>2</sup>, and the transaction unit rate through calculation is RMB3,686/m<sup>2</sup>. After stripping and calculating the comprehensive commercial and residential land, the land prices for commercial and residential uses can be revealed respectively. According to the land transfer announcement of comparable 3, the land area of for commercial use is 334.66m<sup>2</sup> and the land area for residential use is 3,848.53m<sup>2</sup>. The site is located in commercial land grade 3 and residential land grade 3 of Jinzhong Development Zone. Through calculating based on the ratio of benchmark land prices (released in 2017) of commercial land (grade 3) to residential land (grade 3) (1.65:1) of the region, and stripping and calculating of the land prices of the lands for commercial use and residential use based on the proportion of commercial and residential land in comparable 3, the land price for residential use in comparable 3 is RMB3,504/m<sup>2</sup>.

The land prices for each comparable after adjustments are as follows:

Project name	Land parcel subject to valuation	Comparable 1	Comparable 2	Comparable 3
Land unit rate (RMB/m <sup>2</sup> )	—	3,089	3,414	3,504

## 2. Selection of comparison factors

Based on the conditions of land parcels of the land parcel 3 and land parcel 4, the major factors affecting the price of valuation object include:

- (1) Correction of transaction conditions: Whether it is a normal, open, fair and voluntary transaction, by correcting and exclusion of the price deviation of comparable caused by the special factors in the transaction behaviour.
- (2) Correction of valuation date: adjust the price of the comparable on the transaction date to the price on the valuation date, and correct mainly using the land price index.
- (3) Correction of land use life: correct the different service lives of comparables to the service life of the valuation object, to eliminate the impact of different land service lives on prices.
- (4) Correction of regional factors: mainly including the distance from the business service center, the distance from the market, the road accessibility, the type of frontage road, and the convenience of public transportation, etc.
- (5) Individual factors: mainly including land use, lot area, plot ratio, lot shape, topography, road conditions, land carrying capacity, land use restrictions, land development degree.

TABLE OF COMPARATIVE FACTORS

Comparative Factors	Name	Land parcel 3	Land parcel 4	Comparable 1	Comparable 2	Comparable 3
Project location		South of Huazhang Street, East of Guihua East 2nd Road, Jinzhong Development Zone	South of Huazhang Street, East of Guihua East 2nd Road, Jinzhong Development Zone	North of Shizhao Street, West of Nonggu Avenue, VII District, Science and Technology Innovation Town	North of Anning West Street, West of Yuanqu Road	North of Shuncheng East Street, West of Jingsi Road
Transaction date		2023/9/30	2023/9/30	2021/12/28	2022/4/21	2022/3/30
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )		To be estimated	To be estimated	3,089	3,414	3,504
Transaction condition		Normal transaction	Normal transaction	Normal transaction	Normal transaction	Normal transaction
Land use		Residential	Residential	Residential	Residential	Residential
Land service life		64.41 years	62.63 years	70 years	70 years	70 years

Name		Land parcel 3	Land parcel 4	Comparable 1	Comparable 2	Comparable 3
Comparative Factors						
Regional Factors	Distance to business service center	Relatively far				
	Distance to market	Relatively far	Relatively far	Relatively far	Relatively close	Close
	Type of frontage road	Traffic trunk road	Branch road	Secondary trunk road	Living trunk road	Living trunk road
	Distance to bus station	Relatively far	Relatively far	Long	Relatively close	Close
	Distance to railway station (including high speed railway)	General	General	Relatively close	General	General
	Distance to coach station	Close	Close	Relatively close	Relatively close	General
	Distance to airport	Relatively close	Relatively close	General	General	Relatively far
	Completeness of infrastructures	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel
	Distance to financial outlets	Far	Far	Far	General	Close
	Distance to hospital	General	General	Relatively far	Relatively close	Close
	Distance to primary and secondary schools	Close	Close	Close	Relatively close	Close
	Environmental conditions	Relatively good				

Comparative Factors		Name		Land parcel 3	Land parcel 4	Comparable 1	Comparable 2	Comparable 3
		Land parcel 3	Land parcel 4	Comparable 1	Comparable 2	Comparable 3		
Individual factors	Degree of development within the land parcel	Set site leveling	Set site leveling	Site leveling	Site leveling	Site leveling	Site leveling	Site leveling
	Plot ratio	2.0	1.8	2.0	1.8	2.9		
	Land parcel shape	General	Excellent	Relatively excellent	Relatively excellent	Relatively excellent		
	Land parcel area (m <sup>2</sup> )	36,604.55	12,409.27	90,850.6	58,525.18	3,848.53		
	Frontage road conditions	Roads on four sides	Road on one side	Roads on two sides	Roads on two sides	Roads on two sides		
	Topographic conditions	Relatively excellent						
	Geological conditions	Relatively excellent						
	Planning constraints	Compliance with the planning without special restrictions						

### 3. Preparation of the table of comparative factor condition indicators

#### (I) Land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414

According to the specific conditions of various factors of the valuation object and comparables, the table of comparative factor condition indicators is prepared. The comparative factor indicators are determined as follows:

##### (1) Correction of valuation date

Through investigating the land market in the area of the valuation object in the past three years, the appraisers determined that the prices of the same type of land were relatively stable in the period from the date of transaction to the date of valuation, so no correction is made to the valuation date in the valuation.

(2) *Correction of transaction conditions*

Considering the impact of transaction conditions on the land price, the transactions of the valuation object and the three comparables are normal market transactions, and the land prices are normal market prices, so it is not required to correct the transaction conditions.

(3) *Correction of land service life*

Correction coefficient formula of land service life:  $k = \frac{1 - 1 / (1+r)^m}{1 - 1 / (1+r)^n}$

Wherein: K- Correction coefficient of service life

r — Land restoration rate

m — Service life of land subject to valuation

n- Service life of comparable lands

Determination of land restoration rate r: Generally, the method of safe interest rate plus risk adjustment value is adopted. Based on the interest rate for one-year bank time deposit recently announced by the People's Bank of China and the local social and economic development and land investment risk situation, the land restoration rate r was determined to be 6%.

The land service life of the land subject to valuation (m) is 64.41 years and the land service life of the comparable land (n) is 70 years, so it is not required to correct the land service life.

Correction of land service life of valuation object:  $1 - 1 / (1+r)^m = 1 - 1 / (1+6\%)^{64.41} \approx 0.9766$

Correction of land service life of comparables:  $1 - 1 / (1+r)^n = 1 - 1 / (1+6\%)^{70} \approx 0.9831$

(4) *Correction of regional factors*

1. Distance to commercial service center: The distance from the valuation object and comparables to the surrounding commercial center is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
2. Distance to market: The distance from the valuation object and comparables to market is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

3. Grade of frontage road: The frontage roads of the valuation object and comparables are divided into five grades: mixed (transportation, living) trunk road, transportation trunk road, secondary trunk road, branch road and alley. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
4. Distance to bus station: The distance from the valuation object and comparables to bus station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
5. Distance to railway station (or high speed rail station): The distance from the valuation object and comparables to railway station (or high speed rail station) is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
6. Distance to coach station: The distance from the valuation object and comparables to coach station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
7. Distance to airport: The distance from the valuation object and comparables to airport is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
8. Completeness of infrastructures: The completeness and guarantee degree of the surrounding power supply, water supply, drainage, gas supply, communication and other infrastructure of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
9. Distance to financial outlets: The distance from the valuation object and comparables to financial outlets is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;

- 10. Distance to hospital: The distance from the valuation object and comparables to hospital is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- 11. Distance to primary and secondary schools: The distance from the valuation object and comparables to primary and secondary schools is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- 12. Environmental conditions: The environmental conditions of the area where the valuation object and comparables are located are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

(5) Correction of individual factors

- 1. Degree of development within the land parcel: Correction should be made based on the degree of influence of the development degree within the land parcel on the land price. As the development degrees within the land parcels of the valuation object and comparables are “site leveling”, no correction is required.
- 2. Plot ratio: The correction of plot ratio should be conducted with reference to the table of correction coefficients for correction of plot ratios of residential land in the Technical Report on Land Grading and Benchmark Land Price Update of Jinzhong Economic and Technological Development Zone (reference date of 1 January 2018).

Details are as follows:

Valuation object	Valuation object	Comparable 1	Comparable 2	Comparable 3
Plot ratio	2.0	2.0	1.8	2.9
Plot ratio correction coefficient	0.962	0.962	0.944	1.026

- 3. Land parcel shape, depending on conditions, is divided into five grades: excellent (regular shape, reasonable land use), relatively excellent (regular shape, relatively reasonable land use), general (irregular shape, no adverse impact on land use), relatively

poor (irregular shape, certain impact on land use), and poor (irregular shape, serious impact on land use). The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

4. Land parcel area: The land area of the valuation object and comparables is moderate and conducive to development, and thus no correction is required;
5. Frontage road conditions: the conditions are divided into degrees: roads on four sides, roads on three sides, roads on two sides, roads on one side and no frontage road. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
6. Topographic conditions: the flat degree of topography of the valuation object and comparables is divided into five grades: good, relatively good, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
7. Geological conditions: mainly referring to the bearing capacity of foundation and groundwater. The bearing capacity of foundation is divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
8. Planning constraints: it is divided into two degrees: incompliance with the planning with special restrictions and compliance with the planning without special restrictions. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly.

**TABLE OF SCORES OF COMPARATIVE FACTOR CONDITIONS**

Valuation object and comparables Comparative factors	Valuation object	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )	—	3,089	3,414	3,504
Transaction date	100	100	100	100
Transaction condition	100	100	100	100

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Comparative factors					
Land use		100	100	100	100
Land service life		0.9766	0.9831	0.9831	0.9831
Regional Factors	Distance to business service center	100	100	100	100
	Distance to market	100	100	104	106
	Type of frontage road	100	99	101	101
	Distance to bus station	100	98	104	106
	Distance to railway station (including high speed railway)	100	102	100	100
	Distance to coach station	100	99	99	98
	Distance to airport	100	99	99	98
	Completeness of infrastructures	100	100	100	100
	Distance to financial outlets	100	100	102	104
	Distance to hospital	100	99	101	102
	Distance to primary and secondary schools	100	100	98	100
	Environmental conditions	100	100	100	100

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Comparative factors					
Individual factors	Degree of development within the land parcel	100	100	100	100
	Plot ratio	0.962	0.962	0.944	1.026
	Land parcel shape	100	102	102	102
	Land parcel area (m <sup>2</sup> )	100	100	100	100
	Frontage road conditions	100	98	98	98
	Topographic conditions	100	100	100	100
	Geological conditions	100	100	100	100
	Planning constraints	100	100	100	100

#### 4. Preparation of the table of comparative factor correction coefficients

**Table of Comparative Factor Correction Coefficients**

Valuation object and comparables	Comparable 1	Comparable 2	Comparable 3
Comparative factors			
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )	3,089	3,414	3,504
Transaction date	100/100	100/100	100/100
Transaction condition	100/100	100/100	100/100
Land use	100/100	100/100	100/100
Land service life	0.9766/0.9831	0.9766/0.9831	0.9766/0.9831

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Regional Factors	Distance to business service center	100/100	100/100	100/100
	Distance to market	100/100	100/104	100/106
	Type of frontage road	100/99	100/101	100/101
	Distance to bus station	100/98	100/104	100/106
	Distance to railway station (including high speed railway)	100/102	100/100	100/100
	Distance to coach station	100/99	100/99	100/98
	Distance to airport	100/99	100/99	100/98
	Completeness of infrastructures	100/100	100/100	100/100
	Distance to financial outlets	100/100	100/102	100/104
	Distance to hospital	100/99	100/101	100/102
	Distance to primary and secondary schools	100/100	100/98	100/100
	Environmental conditions	100/100	100/100	100/100
Individual factors	Degree of development within the land parcel	100/100	100/100	100/100
	Plot ratio	0.962/0.962	0.962/0.944	0.962/1.026
	Land parcel shape	100/102	100/102	100/102
	Land parcel area (m <sup>2</sup> )	100/100	100/100	100/100
	Frontage road conditions	100/98	100/98	100/98
	Topographic conditions	100/100	100/100	100/100
	Geological conditions	100/100	100/100	100/100
	Planning constraints	100/100	100/100	100/100
Comprehensive correction coefficient		1.035	0.937	0.806
Benchmark price (RMB/m <sup>2</sup> )		3,197	3,199	2,824
Appraised price of valuation object (RMB/m <sup>2</sup> )		3,073		

**(II) Land parcel 4: Jin Kai Guo Yong (2016) No. 0207004**

According to the specific conditions of various factors of the valuation object and comparables, the table of comparative factor condition indicators is prepared. The comparative factor indicators are determined as follows:

**(1) Correction of valuation date**

Through investigating the land market in the area of the valuation object in the past three years, the appraisers determined that the prices of the same type of land were relatively stable in the period from the date of transaction to the date of valuation, so no correction is made to the valuation date in the valuation.

**(2) Correction of transaction conditions**

Considering the impact of transaction conditions on the land price, the transactions of the valuation object and the three comparables are normal market transactions, and the land prices are normal market prices, so it is not required to correct the transaction conditions.

**(3) Correction of land service life**

Correction coefficient formula of land service life:  $k = [1 - 1/(1+r)^m] / [1 - 1/(1+r)^n]$

Wherein: K—Correction coefficient of service life

r — Land restoration rate

m — Service life of land subject to valuation

n — Service life of comparable lands

Determination of land restoration rate r: Generally, the method of safe interest rate plus risk adjustment value is adopted. Based on the interest rate for one-year bank time deposit recently announced by the People's Bank of China and the local social and economic development and land investment risk situation, the land restoration rate r was determined to be 6%.

The land service life of the land subject to valuation (m) is 62.63 years and the land service life of the comparable land (n) is 70 years, so it is not required to correct the land service life.

Correction of land service life of valuation object:  $1 - 1/(1+r)^m = 1 - 1/(1+6\%)^{62.63} \approx 0.9740$

Correction of land service life of comparables:  $1-1/(1+r)^n = 1-1/(1+6\%)^{70} \approx 0.9831$

**(4) Correction of regional factors**

- ① Distance to commercial service center: The distance from the valuation object and comparables to the surrounding commercial center is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ② Distance to market: The distance from the valuation object and comparables to market is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ③ Grade of frontage road: The frontage roads of the valuation object and comparables are divided into five grades: mixed (transportation, living) trunk road, transportation trunk road, secondary trunk road, branch road and alley. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ④ Distance to bus station: The distance from the valuation object and comparables to bus station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑤ Distance to railway station (or high speed rail station): The distance from the valuation object and comparables to railway station (or high speed rail station) is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Distance to coach station: The distance from the valuation object and comparables to coach station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;

- ⑦ Distance to airport: The distance from the valuation object and comparables to airport is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑧ Completeness of infrastructures: The completeness and guarantee degree of the surrounding power supply, water supply, drainage, gas supply, communication and other infrastructure of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑨ Distance to financial outlets: The distance from the valuation object and comparables to financial outlets is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑩ Distance to hospital: The distance from the valuation object and comparables to hospital is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑪ Distance to primary and secondary schools: The distance from the valuation object and comparables to primary and secondary schools is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑫ Environmental conditions: The environmental conditions of the area where the valuation object and comparables are located are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

**(6) Correction of individual factors**

- ① Degree of development within the land parcel: Correction should be made based on the degree of influence of the development degree within the land parcel on the land price. As the development degrees within the land parcels of the valuation object and comparables are “site leveling”, no correction is required.

- ② Plot ratio: The correction of plot ratio should be conducted with reference to the table of correction coefficients for correction of plot ratios of residential land in the Technical Report on Land Grading and Benchmark Land Price Update of Jinzhong Economic and Technological Development Zone (reference date of 1 January 2018).

Details are as follows:

Valuation object	Valuation object	Comparable 1	Comparable 2	Comparable 3
Plot ratio	1.8	2.0	1.8	2.9
Plot ratio correction coefficient	0.944	0.962	0.944	1.026

- ③ Land parcel shape, depending on conditions, is divided into five grades: excellent (regular shape, reasonable land use), relatively excellent (regular shape, relatively reasonable land use), general (irregular shape, no adverse impact on land use), relatively poor (irregular shape, certain impact on land use), and poor (irregular shape, serious impact on land use). The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ④ Land parcel area: The land area of the valuation object and comparables is moderate and conducive to development, and thus no correction is required;
- ⑤ Frontage road conditions: the conditions are divided into degrees: roads on four sides, roads on three sides, roads on two sides, roads on one side and no frontage road. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Topographic conditions: the flat degree of topography of the valuation object and comparables is divided into five grades: good, relatively good, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑦ Geological conditions: mainly referring to the bearing capacity of foundation and groundwater. The bearing capacity of foundation is divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

- ⑧ Planning constraints: it is divided into two degrees: non-compliance with the planning with special restrictions and compliance with the planning without special restrictions. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly.

**Table of Scores of Comparative Factor Conditions**

Valuation object and comparables Comparative factors	Valuation object	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use (RMB/m <sup>2</sup> )	—	3,089	3,414	3,504
Transaction date	100	100	100	100
Transaction condition	100	100	100	100
Land use	100	100	100	100
Land service life	0.9740	0.9831	0.9831	0.9831

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Comparative factors					
Regional Factors	Distance to business service center	100	100	100	100
	Distance to market	100	100	104	106
	Type of frontage road	100	101	103	103
	Distance to bus station	100	98	104	106
	Distance to railway station (including high speed railway)	100	102	100	100
	Distance to coach station	100	99	99	98
	Distance to airport	100	99	99	98
	Completeness of infrastructures	100	100	100	100
	Distance to financial outlets	100	100	102	104
	Distance to hospital	100	99	101	102
	Distance to primary and secondary schools	100	100	98	100
	Environmental conditions	100	100	100	100

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Comparative factors					
Individual factors	Degree of development within the land parcel	100	100	100	100
	Plot ratio	0.944	0.962	0.944	1.026
	Land parcel shape	100	98	98	98
	Land parcel area (m <sup>2</sup> )	100	100	100	100
	Frontage road conditions	100	101	101	101
	Topographic conditions	100	100	100	100
	Geological conditions	100	100	100	100
	Planning constraints	100	100	100	100

**4. Preparation of the table of comparative factor correction coefficients**

**Table of Comparative Factor Correction Coefficients**

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Prices after adjustment of use (RMB/m <sup>2</sup> )		3,089	3,414	3,504
Transaction date		100/100	100/100	100/100
Transaction condition		100/100	100/100	100/100
Land use		100/100	100/100	100/100
Land service life		0.9740/0.9831	0.9740/0.9831	0.9740/0.9831

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Regional Factors	Distance to business service center	100/100	100/100	100/100
	Distance to market	100/100	100/104	100/106
	Type of frontage road	100/101	100/103	100/103
	Distance to bus station	100/98	100/104	100/106
	Distance to railway station (including high speed railway)	100/102	100/100	100/100
	Distance to coach station	100/99	100/99	100/98
	Distance to airport	100/99	100/99	100/98
	Completeness of infrastructures	100/100	100/100	100/100
	Distance to financial outlets	100/100	100/102	100/104
	Distance to hospital	100/99	100/101	100/102
	Distance to primary and secondary schools	100/100	100/98	100/100
	Environmental conditions	100/100	100/100	100/100
Individual factors	Degree of development within the land parcel	100/100	100/100	100/100
	Plot ratio	0.944/0.962	0.944/0.944	0.944/1.026
	Land parcel shape	100/98	100/98	100/98
	Land parcel area (m <sup>2</sup> )	100/100	100/100	100/100
	Frontage road conditions	100/101	100/101	100/101
	Topographic conditions	100/100	100/100	100/100
	Geological conditions	100/100	100/100	100/100
	Planning constraints	100/100	100/100	100/100
Comprehensive correction coefficient		1.003	0.908	0.781
Benchmark price (RMB/m <sup>2</sup> )		3,098	3,100	2,737
Appraised price of valuation object (RMB/m <sup>2</sup> )		2,978		

**(B) Calculation of the residential land price of the valuation object using residue approach**

Residue approach: also known as retrograde approach, residual approach or residual value approach, it is an approach to determine the land price of the valuation object with the price balance on the basis of estimating the normal transaction price of the real estate after the completion of development, after deducting the construction cost of the normal development of the building and professional fees, interest, profit, tax and other expenses related to the construction and sale of the building. According to the planning conditions, the value and development cost of the valuation object after the completion of the future development are relatively easy to estimate, which has the prerequisite of using the residue approach. Therefore, it is advisable to use the residue approach for calculation, and the calculation formula is as follows:

$$V=A-B-C$$

Wherein:

V — price of the lance parcel subject to valuation

A — total price of the real estate

B — overall development cost of the development project

C — Objective development profit

**(I) Land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414****1. Assumptions for the valuation**

The valuation adopts the static analysis method of hypothetical development; it is assumed that the valuation object can successfully complete the expected development and construction goals, and the project construction cycle is 3.0 years; it is assumed that the construction and installation costs are invested evenly during the project cycle, and the interest is calculated based on compound interest. Although the payment of the total price of real estates and various costs occurs in the future, all data of the total price of real estates and the costs used in the residue approach valuation are future data determined based on their current level. It is assumed that the key variables involved in the residue approach valuation will not change significantly during the development period, and the project will be sold out after completion.

## 2. Determination of the best method to develop and utilize land

In the valuation, the best development and utilization method is determined according to the planning conditions of the land parcel subject to valuation. Ordinary residential buildings are constructed with supporting commercial real estates, equipped with water supply, sewage, electricity, heating, telecommunication, gas and other infrastructure. It is assumed that the residential buildings are delivered in the “state of simple decoration of public parts and roughcast interior”.

The total area of the land parcel subject to valuation is 41,690.83m<sup>2</sup>, of which the apportioned area for residential land is 36,604.55m<sup>2</sup> and the apportioned area for commercial land is 5,086.28m<sup>2</sup>. The plot ratio is assumed to be 2.0, then:

$$\text{Planned residential buildings GFA} = 36,604.55 \times 2.0 \approx 73,209.10 \text{ (m}^2\text{)}$$

## 3. Calculation of the value of the valuation object after development is completed

Through the investigation of real estate market in the area where the land parcel subject to valuation is located in the past year, and in combination with the residential sales market conditions of surrounding buildings of the land parcel subject to valuation, the appraisers determined after comparative analysis that the average selling price of ordinary residential buildings on the land parcel subject to valuation is RMB6,700/m<sup>2</sup> by selecting sales cases of residential real estates of the same area, the same type of property, similar use and the same structure as the valuation object and in combination with the actual conditions of the valuation object:

$$\text{Value of the real estate after development completed} = \text{selling price} \times \text{GFA}$$

$$\text{Value of ordinary residential real estate} = 6,700 \times 73,209.10 \approx 49,050.10 \text{ (RMB'0,000)}$$

## 4. Calculation of land acquisition tax

Land acquisition tax includes deed tax of 3% and stamp tax of 0.5‰, etc., totaling 0.0305V (assuming V is the land parcel price of the valuation object).

## 5. Calculation of housing construction cost

The construction cost of the housings built by the valuation object is estimated based on the planning conditions, ancillary facilities and decoration (excluding indoor) and other design standards of the valuation object abovementioned.

## Construction Cost Calculation Sheet

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
1	Construction and installation costs	2,300	It includes the civil engineering cost, installation cost, decoration cost and other costs incurred in the construction of buildings and ancillary works. The construction and installation costs are determined to be RMB2,300/m <sup>2</sup> according to the relevant quota, with reference to the investment of similar buildings and in combination with the local actual conditions during the valuation.
2	Exploration, design and preliminary engineering costs	115	It includes preliminary research fees (including market research fee, feasibility study fee, project planning fee), exploration and design cost (including project exploration cost, environmental impact assessment fee, traffic impact assessment fee, planning and design fee), construction project bidding fee and the necessary expenses for preliminary work such as “three supplies and one leveling” at the construction site and temporary housing. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 5% of the construction and installation costs.
3	Infrastructure construction cost	230	It refers to the construction cost for ancillary roads, water supply, drainage, electricity, communications, gas, heating and other facilities required by urban planning from the project land red line to the building base. Based on the construction and installation costs, it is generally determined at a ratio of 5%-15%. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 10% of the construction and installation costs.

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
4	Public facilities cost	115	Public facilities construction cost refers to the cost for municipal public facilities and green spaces in residential areas, mainly including education, medical and health, culture and sports, commercial services, administrative management and community services and green spaces. According to relevant national requirements and with reference to the local public facilities cost of similar buildings, it is generally calculated as 5% of the construction and installation costs.
5	Taxes and unforeseen fees during development	115	Including relevant taxes and fees charged by local governments or their relevant departments, such as greening construction cost, civil air defense project fee, urban temporary land fee, municipal and cultural pipeline apportionment fee, initial telephone installation fee, decentralized construction of municipal public facilities construction cost, construction waste disposal fee and other expenses. They are generally determined at a ratio of 2%-5% based on the construction and installation costs and taking into account unforeseen fees. This item is calculated at 5% of the construction and installation costs.
6	Unit price of construction cost	2,875	Unit price of housing construction cost = construction and installation costs + exploration, design and preliminary engineering costs + infrastructure construction cost + public facilities construction cost + taxes and unforeseen fees during development.

Total residential construction cost = 2,875×73,209.10 ≈ 21,047.62 (RMB'0,000)

## 6. Calculation of management expense

Management expense refers to the expenditure of real estate developers necessary for organizing and managing real estate development and operation activities, including staff wage and welfare fee, office expense and travel expense of real estate developers. Management expense is generally calculated at a certain proportion of the construction cost (usually 3%-4%). Management expense is calculated at 3% of the construction cost during the valuation. The valuation assumes the residential land value as V.

$$\begin{aligned}\text{Management expense} &= (21,047.62 + 1.0305V) \times 3\% \\ &\approx 631.43 + 3.1\%V \text{ (RMB'0,000)}\end{aligned}$$

## 7. Calculation of sales expense

It refers to the expense necessary for pre-sale of the real estate that will be developed in the future or for sale of the real estate that has been developed, including advertising fee, sales materials production fee, model housing or model room construction cost, sales office construction cost, sales personnel expense or sales agent fee. Based on the value after development is completed, and in combination with the situation of this project, sales expense is calculated at 3% of the value after development is completed during the valuation, then:

$$\text{Sales expense} = 49,050.10 \times 3\% \approx 1,471.50 \text{ (RMB'0,000)}$$

## 8. Calculation of investment interest

The development cycle and interest rate of real estate are determined based on the actual conditions. Based on the total prepaid capital (including the desired land value, land acquisition tax, housing construction cost and management expense and sales expense), and according to the situation of the valuation object, the project construction cycle is assumed to be 3.0 years. Assuming that the land value V and land acquisition tax are invested in lump sum at the beginning of the construction cycle, housing construction cost and management expense and sales expense are invested evenly during the construction cycle, and the interest rate takes the 1-5 years loan interest rate of 4.75% implemented from 24 October 2015, as calculated based on compound interest, then:

$$\begin{aligned}\text{Investment interest} &= (\text{land price} + \text{land acquisition tax}) \times [(1 + \text{interest rate})^3 - 1] + (\text{housing} \\ &\text{construction cost} + \text{management expense} + \text{sales expense}) \times [(1 + \text{interest rate})^{3/2} - 1] \\ &= V \times (1 + 3.05\%) \times [(1 + 4.75\%)^3 - 1] + (21,047.62 + 631.43 + 3.1\%V + 1,471.50) \times [(1 + 4.75\%)^{3/2} - 1] \\ &\approx 16,68.91 + 0.1562V \text{ (RMB'0,000)}\end{aligned}$$

**9. Calculation of sales tax**

Sales tax refers to the tax paid by the seller for pre-sale or sale of the real estate after development is completed, including value-added tax, urban construction and maintenance tax, education surcharge and stamp duty. Through investigation and calculation, it was determined that the total cost of this item is about 5.4% of the value of the real estate after development is completed, and 5.4% is taken for the valuation.

$$\text{Sales tax} = 49,050.10 \times 5.4\% \approx 2,648.71 \text{ (RMB'0,000)}$$

**10. Calculation of development profit**

Profit refers to the average profit that real estate developers can obtain from real estate developments under normal conditions. The valuation takes sales profit to calculate its development profit. Based on the scale of buildings of the valuation object and other conditions, 15% is taken with reference to the average level of good sales profit margin of real estate developers published in the Enterprise Performance Valuation Standard Value in the past five years, and in combination with the average sales profit margin of the local residential real estate development industry, then:

$$\text{Profit} = \text{total price after development completed} \times \text{profit margin} = 49,050.10 \times 15\% \approx 7,357.52 \text{ (RMB'0,000)}$$

**11. Calculation of land price**

Land price = value after development completed — (land acquisition tax + housing construction cost + management expense + sales expense + investment interest + sales tax) — profit, then:

$$\begin{aligned} V &= 49,050.10 - (3.05\%V + 21,047.62 + 631.43 + 3.1\%V + 1,471.50 + 1,668.91 + 0.1562V \\ &+ 2,648.71) - 7,357.52 \\ &\approx 11,681.37 \text{ (RMB'0,000)} \end{aligned}$$

$$\begin{aligned} \text{Residential land unit price} &= \text{total land price} \div \text{land area} \\ &= 11,681.37 \times 10,000 \div 36,604.55 \\ &\approx 3,191 \text{ (RMB/m}^2\text{)} \end{aligned}$$

**Land parcel 4: Jin Kai Guo Yong (2016) No. 0207004****1. Assumptions for the valuation**

The valuation adopts the static analysis method of hypothetical development; it is assumed that the valuation object can successfully complete the expected development and construction goals, and the project construction cycle is 3.0 years; it is assumed that the construction and installation costs are invested evenly during the project cycle, and the interest is calculated based on compound interest. Although the payment of the total price of real estates and various costs occurs in the future, all data of the total price of real estates and the costs used in the residue approach valuation are future data determined based on their current level. It is assumed that the key variables involved in the residue approach valuation will not change significantly during the development period, and the project will be sold out after completion.

**2. Determination of the best method to develop and utilize land**

In the valuation, the best development and utilization method is determined according to the planning conditions of the land parcel subject to valuation. Ordinary residential buildings are constructed with supporting commercial real estates, equipped with water supply, sewage, electricity, heating, telecommunication, gas and other infrastructure. It is assumed that the residential buildings are delivered in the “state of simple decoration of public parts and roughcast interior”.

The total area of the land parcel subject to valuation is 12,409.27m<sup>2</sup> and the plot ratio is assumed to be 1.8, then:

Planned residential buildings GFA=36,604.55×1.8≈22,336.69 (m<sup>2</sup>)

**3. Calculation of the value of the valuation object after development is completed**

Through the investigation of real estate market in the area where the land parcel subject to valuation is located in the past year, and in combination with the residential sales market conditions of surrounding buildings of the land parcel subject to valuation, the appraisers determined after comparative analysis that the average selling price of ordinary residential buildings on the land parcel subject to valuation is RMB6,700/m<sup>2</sup> by selecting sales cases of residential real estates of the same area, the same type of property, similar use and the same structure as the valuation object and in combination with the actual conditions of the valuation object:

Value of the real estate after development completed = selling price ×GFA

Value of ordinary residential real estate=6,700×22,336.69≈14,965.58 (RMB'0,000)

#### 4. Calculation of land acquisition tax

Land acquisition tax includes deed tax of 3% and stamp tax of 0.5‰, etc., totaling 0.0305V (assuming V is the land parcel price of the valuation object).

#### 5. Calculation of housing construction cost

The construction cost of the housings built by the valuation object is estimated based on the planning conditions, ancillary facilities and decoration (excluding indoor) and other design standards of the valuation object abovementioned.

**Construction Cost Calculation Sheet**

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
1	Construction and installation costs	2,300	It includes the civil engineering cost, installation cost, decoration cost and other costs incurred in the construction of buildings and ancillary works. The construction and installation costs are determined to be RMB2,300/m <sup>2</sup> according to the relevant quota, with reference to the investment of similar buildings and in combination with the local actual conditions during the valuation.
2	Exploration, design and preliminary engineering costs	115	It includes preliminary research fees (including market research fee, feasibility study fee, project planning fee), exploration and design cost (including project exploration cost, environmental impact assessment fee, traffic impact assessment fee, planning and design fee), construction project bidding fee and the necessary expenses for preliminary work such as “three supplies and one leveling” at the construction site and temporary housing. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 5% of the construction and installation costs.

3	Infrastructure construction cost	230	It refers to the construction cost for ancillary roads, water supply, drainage, electricity, communications, gas, heating and other facilities required by urban planning from the project land red line to the building base. Based on the construction and installation costs, it is generally determined at a ratio of 5%-15%. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 10% of the construction and installation costs.
4	Public facilities cost	115	Public facilities construction cost refers to the cost for municipal public facilities and green spaces in residential areas, mainly including education, medical and health, culture and sports, commercial services, administrative management and community services and green spaces. According to relevant national requirements and with reference to the local public facilities cost of similar buildings, it is generally calculated as 5% of the construction and installation costs.
5	Taxes and unforeseen fees during development	115	Including relevant taxes and fees charged by local governments or their relevant departments, such as greening construction cost, civil air defense project fee, urban temporary land fee, municipal and cultural pipeline apportionment fee, initial telephone installation fee, decentralized construction of municipal public facilities construction cost, construction waste disposal fee and other expenses. They are generally determined at a ratio of 2%-5% based on the construction and installation costs and taking into account unforeseen fees. This item is calculated at 5% of the construction and installation costs.
6	Unit price of construction cost	2,875	Unit price of housing construction cost = construction and installation costs + exploration, design and preliminary engineering costs + infrastructure construction cost + public facilities construction cost + taxes and unforeseen fees during development.

Total residential construction cost=2,875×22,336.69≈6,421.80 (RMB'0,000)

## 6. Calculation of management expense

Management expense refers to the expenditure of real estate developers necessary for organizing and managing real estate development and operation activities, including staff wage and welfare fee, office expense and travel expense of real estate developers. Management expense is generally calculated at a certain proportion of the construction cost (usually 3%-4%). Management expense is calculated at 3% of the construction cost during the valuation. The valuation assumes the residential land value as V.

$$\text{Management expense} = (6,421.80 + 1.0305V) \times 3\%$$

$$\approx 192.65 + 3.1\%V \text{ (RMB'0,000)}$$

## 7. Calculation of sales expense

It refers to the expense necessary for pre-sale of the real estate that will be developed in the future or for sale of the real estate that has been developed, including advertising fee, sales materials production fee, model housing or model room construction cost, sales office construction cost, sales personnel expense or sales agent fee. Based on the value after development is completed, and in combination with the situation of this project, sales expense is calculated at 3% of the value after development is completed during the valuation, then:

$$\text{Sales expense} = 14,965.58 \times 3\% \approx 448.97 \text{ (RMB'0,000)}$$

## 8. Calculation of investment interest

The development cycle and interest rate of real estate are determined based on the actual conditions. Based on the total prepaid capital (including the desired land value, land acquisition tax, housing construction cost and management expense and sales expense), and according to the situation of the valuation object, the project construction cycle is assumed to be 3.0 years. Assuming that the land value V and land acquisition tax are invested in lump sum at the beginning of the construction cycle, housing construction cost and management expense and sales expense are invested evenly during the construction cycle, and the interest rate takes the 1-5 years loan interest rate of 4.75% implemented from 24 October 2015, as calculated based on compound interest, then:

Investment interest = (land price + land acquisition tax)  $\times [(1 + \text{interest rate})^3 - 1]$  + (housing construction cost + management expense + sales expense)  $\times [(1 + \text{interest rate})^{3/2} - 1]$

$$= V \times (1 + 3.05\%) \times [(1 + 4.75\%)^3 - 1] + (6,421.80 + 192.65 + 3.1\%V + 448.97) \times [(1 + 4.75\%)^{3/2} - 1]$$

$$\approx 509.20 + 0.1562V \text{ (RMB'0,000)}$$

### 9. Calculation of sales tax

Sales tax refers to the tax paid by the seller for pre-sale or sale of the real estate after development is completed, including value-added tax, urban construction and maintenance tax, education surcharge and stamp duty. Through investigation and calculation, it was determined that the total cost of this item is about 5.4% of the value of the real estate after development is completed, and 5.4% is taken for the valuation.

$$\text{Sales tax} = 14,965.58 \times 5.4\% \approx 808.14 \text{ (RMB'0,000)}$$

### 10. Calculation of development profit

Profit refers to the average profit that real estate developers can obtain from real estate developments under normal conditions. The valuation takes sales profit to calculate its development profit. Based on the scale of buildings of the valuation object and other conditions, 15% is taken with reference to the average level of good sales profit margin of real estate developers published in the Enterprise Performance Valuation Standard Value in the past five years, and in combination with the average sales profit margin of the local residential real estate development industry, then:

$$\text{Profit} = \text{total price after development completed} \times \text{profit margin} = 14,965.58 \times 15\% \approx 2,244.84 \text{ (RMB'0,000)}$$

**11. Calculation of land price**

Land price = value after development completed (land acquisition tax + housing construction cost + management expense + sales expense + investment interest + sales tax) profit, then:

$$V=14,965.58-(3.05\%V+6,421.80+192.65+3.1\%V+448.97+509.20+0.1562V +808.14)-2,244.84$$

$$\approx 3,564.08 \text{ (RMB'0,000)}$$

Residential land unit price = total land price ÷ land area

$$= 3,564.08 \times 10,000 \div 12,409.27$$

$$\approx 2,872 \text{ (RMB/m}^2\text{)}$$

**12. Determination of valuation result of land price***(1) Method for determination of land price*

Land use	Unit land price in valuation results (RMB/m <sup>2</sup> )	
	Market comparison approach	Residue approach
Residential	2,978	2,872

According to the technical regulations for land price valuation and the specific conditions of the land subject to valuation, the valuation results are as follows:

The appraisers are of the view that: the calculation principles of market comparison approach and cost approximation approach are different. Both approaches can reflect the land price of valuation object from different aspects, and there is little difference in the calculation results of the two approaches. Therefore, the simple arithmetic average of the two calculation results is used to determine the final price in the valuation (i.e. calculation weight of 50% for each), as detailed in the following table:

Land use	Market comparison approach		Residue approach		Area of land parcel (m <sup>2</sup> )	Unit land price		Total land price (RMB'0,000)
	Calculation results (RMB/m <sup>2</sup> )	Weight	Calculation results (RMB/m <sup>2</sup> )	Weight		RMB/m <sup>2</sup>	RMB'0,000/Mu	
Residential	2,978	50%	2,872	50%	12,409.27	2,925	195.00	3,446.76

## (2) Valuation results

After investigation and analysis of the land parcel of the valuation object and the area in which it is located, the appraisers calculated the market price of the land use right using a scientific valuation approach in accordance with the basic principles of land appraisal and relevant laws and regulations, based on the conditions of the valuation date, the set development degree, the set use, the set land use and current conditions, and the set term conditions:

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin Kai Guo Yong (2016) No. 0207004	Residential	12,409.27 (equivalent to 18.61 Mu)	2,925 (equivalent to RMB1,950,000/Mu)	3,629.71

## (C) Calculation of the commercial land price of the valuation object using market comparison approach

**(I) Land parcel 1: Jin Kai Guo Yong (2016) No. 0207003, land parcel 2: Jin Kai Guo Yong (2016) No. 0207005 and land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414**

### 1. Selection of comparables

As land parcel 1, land parcel 2 and land parcel 3 are commercial land, the principle of selecting the same comparables is adopted in the valuation, as detailed below:

#### (1) Principles for selection of comparables:

- In the adjacent or similar area within the same supply and demand circle of the valuation object;

- Similar use of the valuation object;
- The transaction price is a normal price or can be corrected to a normal price;
- The trading date shall be close to the valuation date;
- The comparables are normal transactions or can be corrected to normal transactions.

(2) *Selection of comparables:*

In the valuation, the land use is set to be commercial.

According to the above principles for selection of comparables, through the investigation and analysis of the land supply and demand circle of the valuation object, three normal transaction comparables, which are in the same land supply and demand circle and have similar uses and the same transaction type with the valuation object and the transaction date close to the valuation date, are selected.

**BASIC INFORMATION ON COMPARABLES**

Information on comparables	Comparable 1	Comparable 2	Comparable 3
Project name	Shanxi Yiboyuan Business Management Co., Ltd.	Jinzhong Yuci Yongxin Real Estate Development Co., Ltd.	Koucun commercial and residential project in Jinzhong Development Zone of Jinzhong Chenjiu Real Estate Development Co., Ltd.
Location	West of the former Yutai Road, southeast of the former Yuci Fertilizer Plant	North of Anning West Street, west of Yuanqu Road	West of Jingxi Avenue, north of Chuangye Street
Total transaction price (RMB'0,000)	746	22,602	27,750
Land use	Land for hotel	Commercial and residential land	Commercial and residential land
Land use life	40 years for commercial use	40 years for commercial use and 70 years for residential use	40 years for commercial use and 70 years for residential use
Construction land area (m <sup>2</sup> )	2,077.54	65,027.98	97,174.43

Information on comparables	Comparable 1	Comparable 2	Comparable 3
Apportioned commercial area (m <sup>2</sup> )	2,077.54	6,502.8	97,17.44
Transaction unit price (RMB/m <sup>2</sup> )	3,591	3,476	2,856
Maximum plot ratio	2.5	1.8	2.7
Transaction method	Listing for sale	Listing for sale	Listing for sale
Land development degree	Seven supplies and one leveling	Seven supplies and one leveling	Seven supplies and one leveling
Transaction date	2023/4/20	2022/4/21	2021/5/14
Source	landchina.com (中國土地市場網)	landchina.com (中國土地市場網)	landchina.com (中國土地市場網)

Among the above three comparables, the land of comparables 2 and 3 are comprehensive commercial and residential land, while the portion of land of the valuation object is for commercial use, so it is required to adjust the use of comparables 2 and 3.

The price of the comparable 2 used in the valuation is the transaction price of the commercial and residential land as published on the landchina.com (中國土地市場網). The total transaction price of the comprehensive commercial and residential land is RMB226.02 million, the total land area is 65,027.98m<sup>2</sup>, and the transaction unit rate through calculation is RMB3,476/m<sup>2</sup>. After stripping and calculating the comprehensive commercial and residential land, the land prices for commercial and residential uses can be revealed respectively. According to the land transfer announcement of comparable 1, the land area of for commercial use is 6,502.8m<sup>2</sup> and the land area for residential use is 58,525.18m<sup>2</sup>. The site is located in commercial land grade 3 and residential land grade 2 of Jinzhong Development Zone. Through calculating based on the ratio of benchmark land prices (released in 2017) of commercial land (grade 3) to residential land (grade 2) (1.18:1) of the region, and stripping and calculating of the land prices of the lands for commercial use and residential use based on the proportion of commercial and residential land in comparable 2, the land price for commercial use in comparable 2 is RMB4,029/m<sup>2</sup>.

The price of the comparable 3 used in the valuation is the transaction price of the commercial and residential land as published on the landchina.com (中國土地市場網). The total transaction price of the comprehensive commercial and residential land is RMB277.50 million, the total land area is 97,174.43m<sup>2</sup>, and the transaction unit rate through calculation is RMB2,856/m<sup>2</sup>. After stripping and calculating the comprehensive commercial and residential land, the land prices for commercial and residential uses can be revealed respectively. According to the land transfer

announcement of comparable 3, the land area of for commercial use is 97,17.44m<sup>2</sup> and the land area for residential use is 87,456.99m<sup>2</sup>. The site is located in commercial land grade five and residential land grade five of Jinzhong Development Zone. Through calculating based on the ratio of benchmark land prices (released in 2017) of commercial land (grade five) to residential land (grade five) (1.29:1) of the region, and stripping and calculating of the land prices of the lands for commercial use and residential use based on the proportion of commercial and residential land in comparable 3, the land price for commercial use in comparable 3 is RMB3,580/m<sup>2</sup>.

The land prices for each comparable after adjustments are as follows:

Project name	Land parcel subject to valuation	Comparable 1	Comparable 2	Comparable 3
Land unit rate (RMB/m <sup>2</sup> )	—	3,591	4,029	3,580

Based on the conditions of land parcels of the valuation object, the major factors affecting the price of valuation object include:

- (1) Correction of transaction conditions: Whether it is a normal, open, fair and voluntary transaction, by correcting and exclusion of the price deviation of comparable caused by the special factors in the transaction behaviour.
- (2) Correction of valuation date: adjust the price of the comparable on the transaction date to the price on the valuation date, and correct mainly using the land price index.
- (3) Correction of land use life: correct the different service lives of comparables to the service life of the valuation object, to eliminate the impact of different land service lives on prices.
- (4) Correction of regional factors: mainly including the distance from the business service center, the distance from the market, the road accessibility, the type of frontage road, and the convenience of public transportation, etc.
- (5) Individual factors: mainly including land use, lot area, plot ratio, lot shape, topography, road conditions, land carrying capacity, land use restrictions, land development degree.

TABLE OF COMPARATIVE FACTORS

Comparative Factors	Name					
	Land parcel 1	Land parcel 2	Land parcel 3	Comparable 1	Comparable 2	Comparable 3
Project location	South of Huazhang Street, East of Guihua East 2nd Road, Jinzhong Development Zone	South of Huazhang Street, East of Guihua East 2nd Road, Jinzhong Development Zone	South of Huazhang Street, East of Guihua East 2nd Road, Jinzhong Development Zone	West of former Yutai Road, southeast of former Yuci Fertilizer Plant	North of Anning West Street, west of Yuanqu Road	West of Jingxi Avenue, north of Chuangye Street
Transaction date	2023/9/30	2023/9/30	2023/3/31	2023/4/20	2022/4/21	2021/5/14
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )	To be estimated	To be estimated	To be estimated	3,591	4,029	3,580
Transaction condition	Normal transaction	Normal transaction	Normal transaction	Normal transaction	Normal transaction	Normal transaction
Land use	Commercial	Commercial	Residential	Residential	Residential	Residential
Land service life	32.63 years	32.63 years	34. 41 years	40 years	40 years	40 years

Comparative Factors		Name					
		Land parcel 1	Land parcel 2	Land parcel 3	Comparable 1	Comparable 2	Comparable 3
Regional Factors	Distance to business service center	Relatively far	Relatively far	Relatively far	Relatively close	Relatively far	Relatively far
	Distance to market	Relatively far	Relatively far	Relatively far	Close	Relatively close	General
	Type of frontage road	Transportation trunk road	Branch road	Traffic trunk road	Mixed-use trunk road	Mixed-use trunk road	Traffic trunk road
	Distance to bus station	Relatively far	Relatively far	Relatively far	Close	Relatively close	Close
	Distance to railway station (including high speed railway)	General	General	General	General	General	General
	Distance to coach station	Close	Close	Close	Far	Relatively close	General
	Distance to airport	Relatively close	Relatively close	Relatively close	Far	General	Relatively far
	Completeness of infrastructures	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel	“Seven supplies” outside the red line of land parcel
	Completeness of public facilities	Relatively incomplete	Relatively incomplete	Relatively incomplete	General	General	Relatively incomplete
Environmental conditions	Relatively good	Relatively good	Relatively good	Relatively good	Relatively good	Relatively good	

Comparative Factors		Name					
		Land parcel 1	Land parcel 2	Land parcel 3	Comparable 1	Comparable 2	Comparable 3
Individual factors	Degree of development within the land parcel	Set site leveling	Set site leveling	Set site leveling	Site leveling	Site leveling	Site leveling
	Plot ratio	2.10	2.10	2.0	2.5	1.8	2.7
	Land parcel shape	Excellent	Relatively excellent	General	Relatively excellent	Relatively excellent	Relatively excellent
	Land parcel area (m <sup>2</sup> )	5,131.18	11,278.65	5,086.28	2,077.54	6,502.8	9,717.44
	Frontage road conditions	Roads on two sides	Roads on two sides	Roads on four sides	Roads on two sides	Roads on two sides	Roads on two sides
	Topographic conditions	Relatively excellent					
	Geological conditions	Relatively excellent					
	Planning constraints	Compliance with the planning without special restrictions					

## 2. Preparation of the table of comparative factor condition indicators

### (I) Land parcel 1: Jin Kai Guo Yong (2016) No. 0207003

According to the specific conditions of various factors of the valuation object and comparables, the table of comparative factor condition indicators is prepared. The comparative factor indicators are determined as follows:

#### (1) Correction of valuation date

According to the changes in land prices in Jinzhong City in recent years, the prices of the same type of land were relatively stable in the period from the date of transaction to the date of valuation, so no correction is made to the valuation date in the valuation.

**(2) Correction of transaction conditions**

Considering the impact of transaction conditions on the land price, the transactions of the valuation object and the three comparables are normal market transactions, and the land prices are normal market prices, so it is not required to correct the transaction conditions.

**(3) Correction of land service life**

Correction coefficient formula of land service life:  $k=[1-1/(1+r)^m]/[1-1/(1+r)^n]$

Wherein: K—Correction coefficient of service life

r — Land restoration rate

m — Service life of land subject to valuation

n — Service life of comparable lands

Determination of land restoration rate r: Generally, the method of safe interest rate plus risk adjustment value is adopted. Based on the interest rate for one-year bank time deposit recently announced by the People's Bank of China and the local social and economic development and land investment risk situation, the land restoration rate r was determined to be 6%.

The land service life of the land subject to valuation (m) is 32.63 years and the land service life of the comparable land (n) is 40 years, so it is not required to correct the land service life.

Correction of land service life of valuation object:  $1-1/(1+r)^m = 1-1/(1+6\%)^{32.63} \approx 0.8506$

Correction of land service life of comparables:  $1-1/(1+r)^n = 1-1/(1+6\%)^{40} \approx 0.9028$

**(4) Correction of regional factors**

- ① Distance to commercial service center: The distance from the valuation object and comparables to the surrounding commercial center is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;

- ② Distance to market: The distance from the valuation object and comparables to market is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
- ③ Grade of frontage road: The frontage roads of the valuation object and comparables are divided into five grades: mixed (transportation, living) trunk road, transportation trunk road, secondary trunk road, branch road and alley. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ④ Distance to bus station: The distance from the valuation object and comparables to bus station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑤ Distance to railway station (or high speed rail station): The distance from the valuation object and comparables to railway station (or high speed rail station) is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Distance to coach station: The distance from the valuation object and comparables to coach station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑦ Distance to airport: The distance from the valuation object and comparables to airport is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑧ Completeness of infrastructures: The completeness and guarantee degree of the surrounding power supply, water supply, drainage, gas supply, communication and other infrastructure of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

- ⑨ Completeness of public facilities: The completeness of surrounding public facilities including school, hospital, bank, etc. of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑩ Environmental conditions: The environmental conditions of the area where the valuation object and comparables are located are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

**(6) Correction of individual factors**

- ① Degree of development within the land parcel: Correction should be made based on the degree of influence of the development degree within the land parcel on the land price. As the development degrees within the land parcels of the valuation object and comparables are “site leveling”, no correction is required.
- ② Plot ratio: The correction of plot ratio should be conducted with reference to the table of correction coefficients for correction of plot ratios of residential land in the Technical Report on Land Grading and Benchmark Land Price Update of Jinzhong Economic and Technological Development Zone (reference date of 1 January 2018).Details are as follows:

Valuation object	Valuation object	Comparable 1	Comparable 2	Comparable 3
Plot ratio	2.1	2.5	1.8	2.7
Plot ratio correction coefficient	0.961	1.000	0.928	1.018

- ③ Land parcel shape, depending on conditions, is divided into five grades: excellent (regular shape, reasonable land use), relatively excellent (regular shape, relatively reasonable land use), general (irregular shape, no adverse impact on land use), relatively poor (irregular shape, certain impact on land use), and poor (irregular shape, serious impact on land use). The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ④ Land parcel area: The land area of the valuation object and comparables is moderate and conducive to development, and thus no correction is required;

- ⑤ Frontage road conditions: The conditions are divided into degrees: roads (trunk roads) on over two sides, roads (branch roads) on over two sides, roads on two sides, roads on one side and no frontage road. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Topographic conditions: the flat degree of topography of the valuation object and comparables is divided into five grades: good, relatively good, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑦ Geological conditions: mainly referring to the bearing capacity of foundation and groundwater. The bearing capacity of foundation is divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑧ Planning constraints: it is divided into two degrees: incompliance with the planning with special restrictions and compliance with the planning without special restrictions. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly.

**Table of Scores of Comparative Factor Conditions**

Valuation object and comparables Comparative factors	Valuation object	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use (RMB/m <sup>2</sup> )	—	3,591	4,029	3,580
Transaction date	100	100	100	100
Transaction condition	100	100	100	100
Land use	100	100	100	100
Land service life	0.8506	0.9028	0.9028	0.9028

Comparative factors		Valuation object and comparables	Valuation object	Comparable 1	Comparable 2	Comparable 3
Regional Factors	Distance to business service center		100	103	100	100
	Distance to market		100	109	106	103
	Type of frontage road		100	99	101	100
	Distance to bus station		100	104	104	106
	Distance to railway station (including high speed railway)		100	100	100	100
	Distance to coach station		100	96	99	98
	Distance to airport		100	97	99	98
	Completeness of infrastructures		100	100	100	100
	Completeness of public facilities		100	103	103	100
	Environmental conditions		100	100	100	100

Comparative factors		Valuation object and comparables	Valuation object	Comparable 1	Comparable 2	Comparable 3
Individual factors	Degree of development within the land parcel		100	100	100	100
	Plot ratio		0.961	1.000	0.928	1.018
	Land parcel shape		100	98	98	98
	Land parcel area (m <sup>2</sup> )		100	100	100	100
	Frontage road conditions		100	100	100	100
	Topographic conditions		100	100	100	100
	Geological conditions		100	100	100	100
	Planning constraints		100	100	100	100

#### 4. Preparation of the table of comparative factor correction coefficients

**Table of Comparative Factor Correction Coefficients**

Comparative factors		Valuation object and comparables	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use (RMB/m <sup>2</sup> )			3,591	4,029	3,580
Transaction date			100/100	100/100	100/100
Transaction condition			100/100	100/100	100/100
Land use			100/100	100/100	100/100
Land service life			0.8506/0.9028	0.8506/0.9028	0.8506/0.9028

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Regional factors	Distance to business service center	100/103	100/100	100/100
	Distance to market	100/109	100/106	100/103
	Type of frontage road	100/99	100/101	100/100
	Distance to bus station	100/104	100/104	100/106
	Distance to railway station (including high speed railway)	100/100	100/100	100/100
	Distance to coach station	100/96	100/99	100/98
	Distance to airport	100/97	100/99	100/98
	Completeness of infrastructures	100/100	100/100	100/100
	Completeness of public facilities	100/103	100/103	100/100
	Environmental conditions	100/100	100/100	100/100
Individual factors	Degree of development within the land parcel	100/100	100/100	100/100
	Plot ratio	0.961/1.000	0.961/0.928	0.961/1.018
	Land parcel shape	100/98	100/98	100/98
	Land parcel area (m <sup>2</sup> )	100/100	100/100	100/100
	Frontage road conditions	100/100	100/100	100/100
	Topographic conditions	100/100	100/100	100/100
	Geological conditions	100/100	100/100	100/100
	Planning constraints	100/100	100/100	100/100
Comprehensive correction coefficient		0.833	0.886	0.866
Benchmark price (RMB/m <sup>2</sup> )		2,991	3,570	3,100
Appraised price of valuation object (RMB/m <sup>2</sup> )		3,220		

**(II) Land parcel 2: Jin Kai Guo Yong (2016) No. 0207004**

According to the specific conditions of various factors of the valuation object and comparables, the table of comparative factor condition indicators is prepared. The comparative factor indicators are determined as follows:

**(1) Correction of valuation date**

According to the changes in land prices in Jinzhong City in recent years, the prices of the same type of land were relatively stable in the period from the date of transaction to the date of valuation, so no correction is made to the valuation date in the valuation.

**(2) Correction of transaction conditions**

Considering the impact of transaction conditions on the land price, the transactions of the valuation object and the three comparables are normal market transactions, and the land prices are normal market prices, so it is not required to correct the transaction conditions.

**(3) Correction of land service life**

Correction coefficient formula of land service life:  $k = [1 - 1/(1+r)^m] / [1 - 1/(1+r)^n]$

Wherein: K—Correction coefficient of service life

r — Land restoration rate

m — Service life of land subject to valuation

n — Service life of comparable lands

Determination of land restoration rate r: Generally, the method of safe interest rate plus risk adjustment value is adopted. Based on the interest rate for one-year bank time deposit recently announced by the People's Bank of China and the local social and economic development and land investment risk situation, the land restoration rate r was determined to be 6%.

The land service life of the land subject to valuation (m) is 32.63 years and the land service life of the comparable land (n) is 40 years, so it is not required to correct the land service life.

Correction of land service life of valuation object:  $1 - 1/(1+r)^m = 1 - 1/(1+6\%)^{32.63} \approx 0.8506$

Correction of land service life of comparables:  $1-1/(1+r)^n = 1-1/(1+6\%)^{40} \approx 0.9028$

**(4) Correction of regional factors**

- ① Distance to commercial service center: The distance from the valuation object and comparables to the surrounding commercial center is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
- ② Distance to market: The distance from the valuation object and comparables to market is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
- ③ Grade of frontage road: The frontage roads of the valuation object and comparables are divided into five grades: mixed (transportation, living) trunk road, transportation trunk road, secondary trunk road, branch road and alley. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ④ Distance to bus station: The distance from the valuation object and comparables to bus station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑤ Distance to railway station (or high speed rail station): The distance from the valuation object and comparables to railway station (or high speed rail station) is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Distance to coach station: The distance from the valuation object and comparables to coach station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;

- ⑦ Distance to airport: The distance from the valuation object and comparables to airport is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑧ Completeness of infrastructures: The completeness and guarantee degree of the surrounding power supply, water supply, drainage, gas supply, communication and other infrastructure of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑨ Completeness of public facilities: The completeness of surrounding public facilities including school, hospital, bank, etc. of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑩ Environmental conditions: The environmental conditions of the area where the valuation object and comparables are located are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

**(6) Correction of individual factors**

- ① Degree of development within the land parcel: Correction should be made based on the degree of influence of the development degree within the land parcel on the land price. As the development degrees within the land parcels of the valuation object and comparables are “site leveling”, no correction is required.

- ② Plot ratio: The correction of plot ratio should be conducted with reference to the table of correction coefficients for correction of plot ratios of residential land in the Technical Report on Land Grading and Benchmark Land Price Update of Jinzhong Economic and Technological Development Zone (reference date of 1 January 2018). Details are as follows:

Valuation object	Valuation object	Comparable 1	Comparable 2	Comparable 3
Plot ratio	2.1	2.5	1.8	2.7
Plot ratio correction coefficient	0.961	1.000	0.928	1.018

- ③ Land parcel shape, depending on conditions, is divided into five grades: excellent (regular shape, reasonable land use), relatively excellent (regular shape, relatively reasonable land use), general (irregular shape, no adverse impact on land use), relatively poor (irregular shape, certain impact on land use), and poor (irregular shape, serious impact on land use). The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ④ Land parcel area: The land area of the valuation object and comparables is moderate and conducive to development, and thus no correction is required;
- ⑤ Frontage road conditions: The conditions are divided into degrees: roads (trunk roads) on over two sides, roads (branch roads) on over two sides, roads on two sides, roads on one side and no frontage road. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
- ⑥ Topographic conditions: the flat degree of topography of the valuation object and comparables is divided into five grades: good, relatively good, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
- ⑦ Geological conditions: mainly referring to the bearing capacity of foundation and groundwater. The bearing capacity of foundation is divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

- ⑧ Planning constraints: it is divided into two degrees: non-compliance with the planning with special restrictions and compliance with the planning without special restrictions. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly.

**Table of Scores of Comparative Factor Conditions**

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Comparative factors					
Prices after adjustment of use (RMB/m <sup>2</sup> )		—	3,591	4,029	3,580
Transaction date		100	100	100	100
Transaction condition		100	100	100	100
Land use		100	100	100	100
Land service life		0.8506	0.9028	0.9028	0.9028
Regional factors	Distance to business service center	100	103	100	100
	Distance to market	100	109	106	103
	Type of frontage road	100	101	103	102
	Distance to bus station	100	104	104	106
	Distance to railway station (including high speed railway)	100	100	100	100
	Distance to coach station	100	96	99	98
	Distance to airport	100	97	99	98
	Completeness of infrastructures	100	100	100	100
	Completeness of public facilities	100	103	103	100
	Environmental conditions	100	100	100	100

Comparative factors		Valuation object and comparables	Valuation object	Comparable 1	Comparable 2	Comparable 3
Individual factors	Degree of development within the land parcel		100	100	100	100
	Plot ratio		0.961	1.000	0.928	1.018
	Land parcel shape		100	100	100	100
	Land parcel area (m <sup>2</sup> )		100	100	100	100
	Frontage road conditions		100	100	100	100
	Topographic conditions		100	100	100	100
	Geological conditions		100	100	100	100
	Planning constraints		100	100	100	100

4. Preparation of the table of comparative factor correction coefficients

**Table of Comparative Factor Correction Coefficients**

Comparative factors		Valuation object and comparables	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use (RMB/m <sup>2</sup> )			3,591	4,029	3,580
Transaction date			100/100	100/100	100/100
Transaction condition			100/100	100/100	100/100
Land use			100/100	100/100	100/100
Land service life			0.8506/0.9028	0.8506/0.9028	0.8506/0.9028

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Regional factors	Distance to business service center	100/103	100/100	100/100
	Distance to market	100/109	100/106	100/103
	Type of frontage road	100/101	100/103	100/102
	Distance to bus station	100/104	100/104	100/106
	Distance to railway station (including high speed railway)	100/100	100/100	100/100
	Distance to coach station	100/96	100/99	100/98
	Distance to airport	100/97	100/99	100/98
	Completeness of infrastructures	100/100	100/100	100/100
	Completeness of public facilities	100/103	100/103	100/100
	Environmental conditions	100/100	100/100	100/100
Individual factors	Degree of development within the land parcel	100/100	100/100	100/100
	Plot ratio	0.961/1.000	0.961/0.928	0.961/1.018
	Land parcel shape	100/100	100/100	100/100
	Land parcel area (m <sup>2</sup> )	100/100	100/100	100/100
	Frontage road conditions	100/100	100/100	100/100
	Topographic conditions	100/100	100/100	100/100
	Geological conditions	100/100	100/100	100/100
	Planning constraints	100/100	100/100	100/100
Comprehensive correction coefficient		0.800	0.851	0.832
Benchmark price (RMB/m <sup>2</sup> )		2,873	3,429	2,979
Appraised price of valuation object (RMB/m <sup>2</sup> )		3,094		

**(III) Land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414**

According to the specific conditions of various factors of the valuation object and comparables, the table of comparative factor condition indicators is prepared. The comparative factor indicators are determined as follows:

*(1) Correction of valuation date*

According to the changes in land prices in Jinzhong City in recent years, the prices of the same type of land were relatively stable in the period from the date of transaction to the date of valuation, so no correction is made to the valuation date in the valuation.

*(2) Correction of transaction conditions*

Considering the impact of transaction conditions on the land price, the transactions of the valuation object and the three comparables are normal market transactions, and the land prices are normal market prices, so it is not required to correct the transaction conditions.

*(3) Correction of land service life*

Correction coefficient formula of land service life:  $k = \frac{1 - 1 / (1+r)^m}{1 - 1 / (1+r)^n}$

Wherein: K — Correction coefficient of service life

r — Land restoration rate

m — Service life of land subject to valuation

n — Service life of comparable lands

Determination of land restoration rate r: Generally, the method of safe interest rate plus risk adjustment value is adopted. Based on the interest rate for one-year bank time deposit recently announced by the People's Bank of China and the local social and economic development and land investment risk situation, the land restoration rate r was determined to be 6%.

The land service life of the land subject to valuation (m) is 34.41 years and the land service life of the comparable land (n) is 40 years, so it is not required to correct the land service life.

Correction of land service life of valuation object:  $1 - 1 / (1+r)^m = 1 - 1 / (1+6\%)^{34.41} \approx 0.8653$

Correction of land service life of comparables:  $1 - 1 / (1+r)^n = 1 - 1 / (1+6\%)^{40} \approx 0.9028$

*(4) Correction of regional factors*

1. Distance to commercial service center: The distance from the valuation object and comparables to the surrounding commercial center is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
2. Distance to market: The distance from the valuation object and comparables to market is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
3. Grade of frontage road: The frontage roads of the valuation object and comparables are divided into five grades: mixed (transportation, living) trunk road, transportation trunk road, secondary trunk road, branch road and alley. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
4. Distance to bus station: The distance from the valuation object and comparables to bus station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
5. Distance to railway station (or high speed rail station): The distance from the valuation object and comparables to railway station (or high speed rail station) is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
6. Distance to coach station: The distance from the valuation object and comparables to coach station is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
7. Distance to airport: The distance from the valuation object and comparables to airport is divided into five grades: close, relatively close, general, relatively far and far. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;

8. Completeness of infrastructures: The completeness and guarantee degree of the surrounding power supply, water supply, drainage, gas supply, communication and other infrastructure of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
9. Completeness of public facilities: The completeness of surrounding public facilities including school, hospital, bank, etc. of the valuation object and comparables are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 3 points are increased or decreased with the increase or decrease of one grade accordingly;
10. Environmental conditions: The environmental conditions of the area where the valuation object and comparables are located are divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;

(5) *Correction of individual factors*

1. Degree of development within the land parcel: Correction should be made based on the degree of influence of the development degree within the land parcel on the land price. As the development degrees within the land parcels of the valuation object and comparables are “site leveling”, no correction is required.
2. Plot ratio: The correction of plot ratio should be conducted with reference to the table of correction coefficients for correction of plot ratios of residential land in the Technical Report on Land Grading and Benchmark Land Price Update of Jinzhong Economic and Technological Development Zone (reference date of 1 January 2018).

Details are as follows:

Valuation object	Valuation object	Comparable 1	Comparable 2	Comparable 3
Plot ratio	2.0	2.5	1.8	2.7
Plot ratio correction coefficient	0.961	1.000	0.928	1.018

3. Land parcel shape, depending on conditions, is divided into five grades: excellent (regular shape, reasonable land use), relatively excellent (regular shape, relatively reasonable land use), general (irregular shape, no adverse impact on land use), relatively poor (irregular shape, certain impact on land use), and poor (irregular shape, serious impact on land use). The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
4. Land parcel area: The land area of the valuation object and comparables is moderate and conducive to development, and thus no correction is required;
5. Frontage road conditions: the conditions are divided into degrees: roads (trunk roads) on over two sides, roads (branch roads) on over two sides, roads on two sides, roads on one side and no frontage road. The valuation object is assigned with the score of 100, and 1 point is increased or decreased with the increase or decrease of one grade accordingly;
6. Topographic conditions: the flat degree of topography of the valuation object and comparables is divided into five grades: good, relatively good, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
7. Geological conditions: mainly referring to the bearing capacity of foundation and groundwater. The bearing capacity of foundation is divided into five grades: excellent, relatively excellent, general, relatively poor and poor. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly;
8. Planning constraints: it is divided into two degrees: incompliance with the planning with special restrictions and compliance with the planning without special restrictions. The valuation object is assigned with the score of 100, and 2 points are increased or decreased with the increase or decrease of one grade accordingly.

**TABLE OF SCORES OF COMPARATIVE FACTOR CONDITIONS**

Valuation object and comparables Comparative factors	Valuation object	Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )	—	3,591	4,029	3,580

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Transaction date		100	100	100	100
Transaction condition		100	100	100	100
Land use		100	100	100	100
Land service life		0.8653	0.9028	0.9028	0.9028
Regional factors	Distance to business service center	100	103	100	100
	Distance to market	100	109	106	103
	Type of frontage road	100	99	101	100
	Distance to bus station	100	104	104	106
	Distance to railway station (including high speed railway)	100	100	100	100
	Distance to coach station	100	96	99	98
	Distance to airport	100	97	99	98
	Completeness of infrastructures	100	100	100	100
	Completeness of public facilities	100	103	103	100
	Environmental conditions	100	100	100	100

Valuation object and comparables		Valuation object	Comparable 1	Comparable 2	Comparable 3
Individual factors	Degree of development within the land parcel	100	100	100	100
	Plot ratio	0.950	1.000	0.928	1.018
	Land parcel shape	100	102	102	102
	Land parcel area (m <sup>2</sup> )	100	100	100	100
	Frontage road conditions	100	98	98	98
	Topographic conditions	100	100	100	100
	Geological conditions	100	100	100	100
	Planning constraints	100	100	100	100

### 3. Preparation of the table of comparative factor correction coefficients

**Table of Comparative Factor Correction Coefficients**

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Prices after adjustment of use and plot ratio (RMB/m <sup>2</sup> )		3,591	4,029	3,580
Transaction date		100/100	100/100	100/100
Transaction condition		100/100	100/100	100/100
Land use		100/100	100/100	100/100
Land service life		0.8653/0.9028	0.8653/0.9028	0.8653/0.9028

Valuation object and comparables		Comparable 1	Comparable 2	Comparable 3
Comparative factors				
Regional factors	Distance to business service center	100/103	100/100	100/100
	Distance to market	100/109	100/106	100/103
	Type of frontage road	100/99	100/101	100/100
	Distance to bus station	100/104	100/104	100/106
	Distance to railway station (including high speed railway)	100/100	100/100	100/100
	Distance to coach station	100/96	100/99	100/98
	Distance to airport	100/97	100/99	100/98
	Completeness of infrastructures	100/100	100/100	100/100
	Completeness of public facilities	100/103	100/103	100/100
	Environmental conditions	100/100	100/100	100/100
Individual factors	Degree of development within the land parcel	100/100	100/100	100/100
	Plot ratio	0.950/1.000	0.950/0.928	0.950/1.018
	Land parcel shape	100/102	100/102	100/102
	Land parcel area (m <sup>2</sup> )	100/100	100/100	100/100
	Frontage road conditions	100/98	100/98	100/98
	Topographic conditions	100/100	100/100	100/100
	Geological conditions	100/100	100/100	100/100
	Planning constraints	100/100	100/100	100/100
Comprehensive correction coefficient		0.822	0.873	0.853
Benchmark price (RMB/m <sup>2</sup> )		2,952	3,517	3,054
Appraised price of valuation object (RMB/m <sup>2</sup> )		3,174		

**(D) Calculation of the commercial land price of the valuation object using residue approach**

Residue approach: also known as retrograde approach, residual approach or residual value approach, it is an approach to determine the land price of the valuation object with the price balance on the basis of estimating the normal transaction price of the real estate after the completion of development, after deducting the construction cost of the normal development of the building and professional fees, interest, profit, tax and other expenses related to the construction and sale of the building. According to the planning conditions, the value and development cost of the valuation object after the completion of the future development are relatively easy to estimate, which has the prerequisite of using the residue approach. Therefore, it is advisable to use the residue approach for calculation, and the calculation formula is as follows:

$$V=A-B-C$$

Wherein:

V — price of the lance parcel subject to valuation

A — total price of the real estate

B — overall development cost of the development project

C — Objective development profit

**(I) Land parcel 1: Jin Kai Guo Yong (2016) No. 02070003****1. Assumptions for the valuation**

The valuation assumes that the valuation object can successfully complete the expected development and construction goals, and the project construction cycle is 3.0 years; the construction and installation costs are invested evenly during the project cycle, and the interest is calculated based on compound interest. Although the payment of the total price of real estates and various costs occurs in the future, all data of the total price of real estates and the costs used in the residue approach valuation are future data determined based on their current level. It is assumed that the key variables involved in the residue approach valuation will not change significantly during the development period, and the project are leased or sold out in full after completion.

## 2. Determination of the best method to develop and utilize land

In the valuation, the best development and utilization method is determined according to the planning conditions of the land parcel subject to valuation. Ordinary residential buildings are constructed with supporting commercial real estates, equipped with water supply, sewage, electricity, heating, telecommunication and other infrastructure. It is assumed that the commercial buildings will be mainly rented out for operation after completion, the standard of whose delivery is the same can be directly used after decoration.

The total area of the land parcel subject to valuation is 5,131.18 m<sup>2</sup> and the plot ratio is assumed to be 2.0 according to the planning conditions during the valuation, then:

$$\text{Planned commercial buildings GFA} = 5,131.18 \times 2.1 \approx 10,775.48 \text{ (m}^2\text{)}$$

## 3. Calculation of the value of the valuation object after development is completed

Through the investigation of commercial real estate leasing and sales market in the area where the land parcel subject to valuation is located, the appraisers determined after calculation that the average market price of commercial real estates on the land parcel subject to valuation is RMB7,350/m<sup>2</sup> based on objective rental income, vacancy rate, return rate and other relevant data of similar commercial real estates in the area, and in combination with the actual conditions of the valuation object.

$$\text{Value of the real estate after development completed} = \text{selling price} \times \text{GFA}$$

$$\text{Value of ordinary residential real estate} = 7,350 \times 10,775.48 \approx 7,919.98 \text{ (RMB'0,000)}$$

## 4. Calculation of land acquisition tax

Land acquisition tax includes deed tax of 3% and stamp tax of 0.5‰, etc., totaling 0.0305V (V is the land parcel price of the valuation object).

## 5. Calculation of housing construction cost

The construction cost of the housings built by the valuation object is estimated based on the planning conditions, building structure, ancillary facilities and decoration and other design standards of the valuation object abovementioned.

## Construction Cost Calculation Sheet

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
1	Construction and installation costs	2,800	It includes the civil engineering cost, installation cost, decoration cost and other costs incurred in the construction of buildings and ancillary works. The construction and installation costs are determined to be RMB2,800/m <sup>2</sup> according to the relevant quota, with reference to the investment of similar buildings and in combination with the local actual conditions during the valuation.
2	Exploration, design and preliminary engineering costs	140	It includes preliminary research fees (including market research fee, feasibility study fee, project planning fee), exploration and design cost (including project exploration cost, environmental impact assessment fee, traffic impact assessment fee, planning and design fee), construction project bidding fee and the necessary expenses for preliminary work such as “three supplies and one leveling” at the construction site and temporary housing. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 5% of the construction and installation costs.
3	Infrastructure construction cost	280	It refers to the construction cost for ancillary roads, water supply, drainage, electricity, communications, gas, heating and other facilities required by urban planning from the project land red line to the building base. Based on the construction and installation costs, it is generally determined at a ratio of 5%-15%. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 10% of the construction and installation costs.

4	Public facilities cost	140	Public facilities construction cost refers to the cost for municipal public facilities and green spaces in residential areas, mainly including education, medical and health, culture and sports, commercial services, administrative management and community services and green spaces. According to relevant national requirements and with reference to the local public facilities cost of similar buildings, it is generally calculated as 5% of the construction and installation costs.
5	Taxes and unforeseen fees during development	140	Including relevant taxes and fees charged by local governments or their relevant departments, such as greening construction cost, civil air defense project fee, urban temporary land fee, municipal and cultural pipeline apportionment fee, initial telephone installation fee, decentralized construction of municipal public facilities construction cost, construction waste disposal fee and other expenses. They are generally determined at a ratio of 2%-5% based on the construction and installation costs and taking into account unforeseen fees. This item is calculated at 5% of the construction and installation costs.
6	Unit price of construction cost	3,500	Unit price of housing construction cost = construction and installation costs + exploration, design and preliminary engineering costs + infrastructure construction cost + public facilities construction cost + taxes and unforeseen fees during development.

Total construction cost=3,500×10,775.48≈3,771.42 (RMB'0,000)

## 6. Calculation of management expense

Management expense refers to the expenditure of real estate developers necessary for organizing and managing real estate development and operation activities, including staff wage and welfare fee, office expense and travel expense of real estate developers. Based on the construction cost of buildings, management expense is calculated at 3% of the construction cost during the valuation. The valuation assumes the residential land value as V.

Management expense = (3,771.42+1.0305V)×3%

≈113.14+ 3.1%V (RMB'0,000)

### 7. Calculation of sales expense

It refers to the expense necessary for pre-sale of the real estate that will be developed in the future or for sale of the real estate that has been developed, including advertising fee, sales materials production fee, model housing or model room construction cost, sales office construction cost, sales personnel expense or sales agent fee. Based on the value after development is completed, and in combination with the situation of this project, sales expense is calculated at 3.0% of the value after development is completed during the valuation, then:

$$\text{Sales expense} = 7,919.98 \times 3.0\% \approx 237.60 \text{ (RMB'0,000)}$$

### 8. Calculation of investment interest

The development cycle and interest rate of real estate are determined based on the actual conditions. Based on the total prepaid capital (including the desired land value, land acquisition tax, housing construction cost and management expense and sales expense), and the project construction cycle of 3.0 years, assuming that the land value V and land acquisition tax are invested in lump sum at the beginning of the construction cycle, housing construction cost and management expense and sales expense are invested evenly during the construction cycle, and the interest rate takes the 1-5 years loan interest rate of 4.75% implemented from 24 October 2015, as calculated based on compound interest, then:

$$\text{Investment interest} = (\text{land price} + \text{land acquisition tax}) \times [(1 + \text{interest rate})^3 - 1] + (\text{housing construction cost} + \text{management expense} + \text{sales expense}) \times [(1 + \text{interest rate})^{3/2} - 1]$$

$$= V \times (1 + 3.05\%) \times [(1 + 4.75\%)^3 - 1] + (3,771.42 + 113.14 + 3.1\%V + 237.60) \times [(1 + 4.75\%)^{3/2} - 1]$$

$$\approx 297.16 + 0.1562V \text{ (RMB'0,000)}$$

### 9. Calculation of sales tax

Sales tax refers to the tax paid by the seller for pre-sale or sale of the real estate after development is completed, including value-added tax, urban construction and maintenance tax, education surcharge and stamp duty. Through investigation and calculation, it was determined that the total cost of this item is about 5.4% of the value of the real estate after development is completed, and 5.4% is taken for the valuation.

$$\text{Sales tax} = 7,919.98 \times 5.4\% \approx 427.68 \text{ (RMB'0,000)}$$

**10. Calculation of development profit**

Profit refers to the average profit that real estate developers can obtain from real estate developments under normal conditions. The valuation takes sales profit to calculate its development profit. Based on the scale of buildings of the valuation object and other conditions, 15% is taken with reference to the average level of good sales profit margin of real estate developers published in the Enterprise Performance Valuation Standard Value in the past five years, and in combination with the average sales profit margin of the local residential real estate development industry, then:

Profit = total price after development completed  $\times$  profit margin =  $7,919.98 \times 15\% \approx 1,188$  (RMB'0,000)

**11. Calculation of land price**

Land price = value after development completed  $-($ land acquisition tax + housing construction cost + management expense + sales expense + investment interest + sales tax)  $-$ profit, then:

$$V = 7,919.98 - (3.05\%V + 3,771.42 + 113.14 + 3.1\%V + 237.60 + 297.16 + 0.1562V + 427.68) - 1,188$$

$$\approx 1,547.98 \text{ (RMB'0,000)} \quad 18849800$$

Commercial land unit price = total land price  $\div$  land area

$$= 1547.98 \times 10,000 \div 5,131.18$$

$$\approx 3,017 \text{ (RMB/m}^2\text{)}$$

## 12. Determination of valuation result of land price

### (1) Method for determination of land price

According to the technical regulations for land price valuation and the specific conditions of the land subject to valuation, the valuation results are as follows:

Land use	Unit land price in valuation results (RMB/m <sup>2</sup> )	
	Market comparison approach	Residue approach
Commercial	3,220	3,017

The appraisers are of the view that: the calculation principles of market comparison approach and cost approximation approach are different. Both approaches can reflect the land price of valuation object from different aspects, and there is little difference in the calculation results of the two approaches. Therefore, the simple arithmetic average of the two calculation results is used to determine the final price in the valuation (i.e. calculation weight of 50% for each), as detailed in the following table:

Land use	Market comparison approach		Residue approach		Area of land parcel (m <sup>2</sup> )	Unit land price		Total land price (RMB'0,000)
	Calculation results (RMB/m <sup>2</sup> )	Weight	Calculation results (RMB/m <sup>2</sup> )	Weight		RMB/m <sup>2</sup>	RMB'0,000/ Mu	
Commercial	3,220	50%	3,017	50%	5,131.18	3,119	207.93	1,600.42

### (2) Valuation results

After investigation and analysis of the land parcel of the valuation object and the area in which it is located, the appraisers calculated the market price of the land use right using a scientific valuation approach in accordance with the basic principles of land appraisal and relevant laws and regulations, based on the conditions of the valuation date, the set development degree, the set use, the set land use and current conditions, and the set term conditions:

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin Kai Guo Yong (2016) No. 0207003	Commercial	5,131.18 (equivalent to 7.7 Mu)	3,119 (equivalent to RMB2,079,300/Mu)	1,600.42

## (II) Land parcel 2: Jin Kai Guo Yong (2016) No. 0207005

### 1. Assumptions for the valuation

The valuation assumes that the valuation object can successfully complete the expected development and construction goals, and the project construction cycle is 3.0 years; the construction and installation costs are invested evenly during the project cycle, and the interest is calculated based on compound interest. Although the payment of the total price of real estates and various costs occurs in the future, all data of the total price of real estates and the costs used in the residue approach valuation are future data determined based on their current level. It is assumed that the key variables involved in the residue approach valuation will not change significantly during the development period, and the project are leased or sold out in full after completion.

### 2. Determination of the best method to develop and utilize land

In the valuation, the best development and utilization method is determined according to the planning conditions of the land parcel subject to valuation. Ordinary residential buildings are constructed with supporting commercial real estates, equipped with water supply, sewage, electricity, heating, telecommunication and other infrastructure. It is assumed that the commercial buildings will be mainly rented out for operation after completion, the standard of whose delivery is the same can be directly used after decoration.

The total area of the land parcel subject to valuation is 11,278.65 m<sup>2</sup> and the plot ratio is assumed to be 2.1 according to the planning conditions during the valuation, then: Planned commercial buildings GFA=11,278.65×2.1≈10,775.48(m<sup>2</sup>)

### 3. Calculation of the value of the valuation object after development is completed

Through the investigation of commercial real estate leasing and sales market in the area where the land parcel subject to valuation is located, the appraisers determined after calculation that the average market price of commercial real estates on the land parcel subject to valuation is

RMB7,350/m<sup>2</sup> based on objective rental income, vacancy rate, return rate and other relevant data of similar commercial real estates in the area, and in combination with the actual conditions of the valuation object.

Value of the real estate after development completed = selling price ×GFA

Value of ordinary residential real estate=7,350×10,775.48≈17,408.60 (RMB'0,000)

#### 4. Calculation of land acquisition tax

Land acquisition tax includes deed tax of 3% and stamp tax of 0.5‰, etc., totaling 0.0305V (V is the land parcel price of the valuation object).

#### 5. Calculation of housing construction cost

The construction cost of the housings built by the valuation object is estimated based on the planning conditions, building structure, ancillary facilities and decoration and other design standards of the valuation object abovementioned.

#### Construction Cost Calculation Sheet

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
1	Construction and installation costs	2,800	It includes the civil engineering cost, installation cost, decoration cost and other costs incurred in the construction of buildings and ancillary works. The construction and installation costs are determined to be RMB2,800/m <sup>2</sup> according to the relevant quota, with reference to the investment of similar buildings and in combination with the local actual conditions during the valuation.

2	Exploration, design and preliminary engineering costs	140	It includes preliminary research fees (including market research fee, feasibility study fee, project planning fee), exploration and design cost (including project exploration cost, environmental impact assessment fee, traffic impact assessment fee, planning and design fee), construction project bidding fee and the necessary expenses for preliminary work such as “three supplies and one leveling” at the construction site and temporary housing. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 5% of the construction and installation costs.
3	Infrastructure construction cost	280	It refers to the construction cost for ancillary roads, water supply, drainage, electricity, communications, gas, heating and other facilities required by urban planning from the project land red line to the building base. Based on the construction and installation costs, it is generally determined at a ratio of 5%-15%. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 10% of the construction and installation costs.
4	Public facilities cost	140	Public facilities construction cost refers to the cost for municipal public facilities and green spaces in residential areas, mainly including education, medical and health, culture and sports, commercial services, administrative management and community services and green spaces. According to relevant national requirements and with reference to the local public facilities cost of similar buildings, it is generally calculated as 5% of the construction and installation costs.

5	Taxes and unforeseen fees during development	140	Including relevant taxes and fees charged by local governments or their relevant departments, such as greening construction cost, civil air defense project fee, urban temporary land fee, municipal and cultural pipeline apportionment fee, initial telephone installation fee, decentralized construction of municipal public facilities construction cost, construction waste disposal fee and other expenses. They are generally determined at a ratio of 2%-5% based on the construction and installation costs and taking into account unforeseen fees. This item is calculated at 5% of the construction and installation costs.
6	Unit price of construction cost	3,500	Unit price of housing construction cost = construction and installation costs + exploration, design and preliminary engineering costs + infrastructure construction cost + public facilities construction cost + taxes and unforeseen fees during development.

Total construction cost=3,500×10,775.48≈8,289.81 (RMB'0,000)

#### 6. Calculation of management expense

Management expense refers to the expenditure of real estate developers necessary for organizing and managing real estate development and operation activities, including staff wage and welfare fee, office expense and travel expense of real estate developers. Based on the construction cost of buildings, management expense is calculated at 3% of the construction cost during the valuation. The valuation assumes the residential land value as V.

Management expense=(8,289.81+1.0305V)×3%

≈248.69+ 3.1%V (RMB'0,000)

**7. Calculation of sales expense**

It refers to the expense necessary for pre-sale of the real estate that will be developed in the future or for sale of the real estate that has been developed, including advertising fee, sales materials production fee, model housing or model room construction cost, sales office construction cost, sales personnel expense or sales agent fee. Based on the value after development is completed, and in combination with the situation of this project, sales expense is calculated at 3.0% of the value after development is completed during the valuation, then:

$$\text{Sales expense} = 17,408.60 \times 3.0\% \approx 522.26 \text{ (RMB'0,000)}$$

**8. Calculation of investment interest**

The development cycle and interest rate of real estate are determined based on the actual conditions. Based on the total prepaid capital (including the desired land value, land acquisition tax, housing construction cost and management expense and sales expense), and the project construction cycle of 3.0 years, assuming that the land value V and land acquisition tax are invested in lump sum at the beginning of the construction cycle, housing construction cost and management expense and sales expense are invested evenly during the construction cycle, and the interest rate takes the 1-5 years loan interest rate of 4.75% implemented from 24 October 2015, as calculated based on compound interest, then:

$$\text{Investment interest} = (\text{land price} + \text{land acquisition tax}) \times [(1 + \text{interest rate})^3 - 1] + (\text{housing construction cost} + \text{management expense} + \text{sales expense}) \times [(1 + \text{interest rate})^{3/2} - 1]$$

$$= V \times (1 + 3.05\%) \times [(1 + 4.75\%)^3 - 1] + (8,289.81 + 248.69 + 3.1\%V + 522.26) \times [(1 + 4.75\%)^{3/2} - 1]$$

$$\approx 653.19 + 0.1562V \text{ (RMB'0,000)}$$

**9. Calculation of sales tax**

Sales tax refers to the tax paid by the seller for pre-sale or sale of the real estate after development is completed, including value-added tax, urban construction and maintenance tax, education surcharge and stamp duty. Through investigation and calculation, it was determined that the total cost of this item is about 5.4% of the value of the real estate after development is completed, and 5.4% is taken for the valuation.

$$\text{Sales tax} = 17,408.60 \times 5.4\% \approx 940.06 \text{ (RMB'0,000)}$$

**10. Calculation of development profit**

Profit refers to the average profit that real estate developers can obtain from real estate developments under normal conditions. The valuation takes sales profit to calculate its development profit. Based on the scale of buildings of the valuation object and other conditions, 15% is taken with reference to the average level of good sales profit margin of real estate developers published in the Enterprise Performance Valuation Standard Value in the past five years, and in combination with the average sales profit margin of the local residential real estate development industry, then:

Profit = total price after development completed  $\times$  profit margin =  $17,408.60 \times 15\% \approx 2,611.29$   
(RMB'0,000)

**11. Calculation of land price**

Land price = value after development completed  $-($ land acquisition tax + housing construction cost + management expense + sales expense + investment interest + sales tax)  $-$ profit, then:

$$V = 17,408.60 - (3.05\%V + 8,289.81 + 248.69 + 3.1\%V + 522.26 + 653.19 + 0.1562V + 940.06) - 2,611.29$$
$$\approx 3,402.56 \text{ (RMB'0,000)}$$

Commercial land unit price = total land price  $\div$  land area

$$= 3,402.56 \times 10,000 \div 11,278.65$$

$$\approx 3,017 \text{ (RMB/m}^2\text{)}$$

## 12. Determination of valuation result of land price

### (1) Method for determination of land price

According to the technical regulations for land price valuation and the specific conditions of the land subject to valuation, the valuation results are as follows:

Land use	Unit land price in valuation results (RMB/m <sup>2</sup> )	
	Market comparison approach	Residue approach
Commercial	3,094	3,017

The appraisers are of the view that: the calculation principles of market comparison approach and cost approximation approach are different. Both approaches can reflect the land price of valuation object from different aspects, and there is little difference in the calculation results of the two approaches. Therefore, the simple arithmetic average of the two calculation results is used to determine the final price in the valuation (i.e. calculation weight of 50% for each), as detailed in the following table:

Land use	Market comparison approach		Residue approach		Area of land parcel (m <sup>2</sup> )	Unit land price		Total land price (RMB'0,000)
	Calculation results (RMB/m <sup>2</sup> )	Weight	Calculation results (RMB/m <sup>2</sup> )	Weight		RMB/m <sup>2</sup>	RMB'0,000/ Mu	
Commercial	3,094	50%	3,017	50%	11,278.65	3,056	203.73	3,446.76

**(2) Valuation results**

After investigation and analysis of the land parcel of the valuation object and the area in which it is located, the appraisers calculated the market price of the land use right using a scientific valuation approach in accordance with the basic principles of land appraisal and relevant laws and regulations, based on the conditions of the valuation date, the set development degree, the set use, the set land use and current conditions, and the set term conditions:

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin Kai Guo Yong (2016) No. 0207005	Commercial	11,278.65 (equivalent to 16.92 Mu)	3,056 (equivalent to RMB2,037,300/Mu)	3,446.76

**(III) Land parcel 3: Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414****1. Assumptions for the valuation**

The valuation assumes that the valuation object can successfully complete the expected development and construction goals, and the project construction cycle is 3.0 years; the construction and installation costs are invested evenly during the project cycle, and the interest is calculated based on compound interest. Although the payment of the total price of real estates and various costs occurs in the future, all data of the total price of real estates and the costs used in the residue approach valuation are future data determined based on their current level. It is assumed that the key variables involved in the residue approach valuation will not change significantly during the development period, and the project are leased or sold out in full after completion.

**2. Determination of the best method to develop and utilize land**

In the valuation, the best development and utilization method is determined according to the planning conditions of the land parcel subject to valuation. Ordinary residential buildings are constructed with supporting commercial real estates, equipped with water supply, sewage, electricity, heating, telecommunication and other infrastructure. It is assumed that the commercial buildings will be mainly rented out for operation after completion, the standard of whose delivery is the same can be directly used after decoration.

The total area of the land parcel subject to valuation is 41,690.83 m<sup>2</sup>, of which the apportioned area for residential land is 36,604.55 m<sup>2</sup> and the apportioned area for commercial land is 5,086.28 m<sup>2</sup>. The plot ratio is assumed to be 2.0 according to the planning conditions during the valuation, then:

$$\text{Planned commercial buildings GFA} = 5,086.28 \times 2.0 \approx 10,172.56 \text{ (m}^2\text{)}$$

### **3. Calculation of the value of the valuation object after development is completed**

Through the investigation of commercial real estate leasing and sales market in the area where the land parcel subject to valuation is located, the appraisers determined after calculation that the average market price of commercial real estates on the land parcel subject to valuation is RMB7,500/m<sup>2</sup> based on objective rental income, vacancy rate, return rate and other relevant data of similar commercial real estates in the area, and in combination with the actual conditions of the valuation object.

It was determined that the average selling price of commercial buildings on the land parcel subject to valuation is RMB7,500/m<sup>2</sup>.

$$\text{Value of the real estate after development completed} = \text{selling price} \times \text{GFA}$$

$$\text{Value of ordinary residential real estate} = 7500 \times 10,172.56 \approx 7,629.42 \text{ (RMB'0,000)}$$

### **4. Calculation of land acquisition tax**

Land acquisition tax includes deed tax of 3% and stamp tax of 0.5‰, etc., totaling 0.0305V (V is the land parcel price of the valuation object).

### **5. Calculation of housing construction cost**

The construction cost of the housings built by the valuation object is estimated based on the planning conditions, building structure, ancillary facilities and decoration and other design standards of the valuation object abovementioned.

## Construction Cost Calculation Sheet

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
1	Construction and installation costs	2,800	It includes the civil engineering cost, installation cost, decoration cost and other costs incurred in the construction of buildings and ancillary works. The construction and installation costs are determined to be RMB2,300/m <sup>2</sup> according to the relevant quota, with reference to the investment of similar buildings and in combination with the local actual conditions during the valuation.
2	Exploration, design and preliminary engineering costs	140	It includes preliminary research fees (including market research fee, feasibility study fee, project planning fee), exploration and design cost (including project exploration cost, environmental impact assessment fee, traffic impact assessment fee, planning and design fee), construction project bidding fee and the necessary expenses for preliminary work such as “three supplies and one leveling” at the construction site and temporary housing. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 5% of the construction and installation costs.
3	Infrastructure construction cost	280	It refers to the construction cost for ancillary roads, water supply, drainage, electricity, communications, gas, heating and other facilities required by urban planning from the project land red line to the building base. Based on the construction and installation costs, it is generally determined at a ratio of 5%-15%. Based on the scale, complexity and building structure of projects of the valuation object, the valuation is calculated at 10% of the construction and installation costs.

No.	Item	Amount (RMB/m <sup>2</sup> )	Explanation
4	Public facilities cost	140	Public facilities construction cost refers to the cost for municipal public facilities and green spaces in residential areas, mainly including education, medical and health, culture and sports, commercial services, administrative management and community services and green spaces. According to relevant national requirements and with reference to the local public facilities cost of similar buildings, it is generally calculated as 5% of the construction and installation costs.
5	Taxes and unforeseen fees during development	140	Including relevant taxes and fees charged by local governments or their relevant departments, such as greening construction cost, civil air defense project fee, urban temporary land fee, municipal and cultural pipeline apportionment fee, initial telephone installation fee, decentralized construction of municipal public facilities construction cost, construction waste disposal fee and other expenses. They are generally determined at a ratio of 2%-5% based on the construction and installation costs and taking into account unforeseen fees. This item is calculated at 5% of the construction and installation costs.
6	Unit price of construction cost	3,500	Unit price of housing construction cost = construction and installation costs + exploration, design and preliminary engineering costs + infrastructure construction cost + public facilities construction cost + taxes and unforeseen fees during development.

Total residential construction cost = 3,500 × 10,172.56 ≈ 3,560.40 (RMB'0,000)

## 6. Calculation of management expense

Management expense refers to the expenditure of real estate developers necessary for organizing and managing real estate development and operation activities, including staff wage and welfare fee, office expense and travel expense of real estate developers. Based on the construction cost of buildings, management expense is calculated at 3% of the construction cost during the valuation. The valuation assumes the residential land value as V.

$$\begin{aligned}\text{Management expense} &= (3,560.40 + 1.0305V) \times 3\% \\ &\approx 106.81 + 3.1\%V \text{ (RMB'0,000)}\end{aligned}$$

## 7. Calculation of sales expense

It refers to the expense necessary for pre-sale of the real estate that will be developed in the future or for sale of the real estate that has been developed, including advertising fee, sales materials production fee, model housing or model room construction cost, sales office construction cost, sales personnel expense or sales agent fee. Based on the value after development is completed, and in combination with the situation of this project, sales expense is calculated at 3.0% of the value after development is completed during the valuation, then:

$$\text{Sales expense} = 7,629.42 \times 3.0\% \approx 228.88 \text{ (RMB'0,000)}$$

## 8. Calculation of investment interest

The development cycle and interest rate of real estate are determined based on the actual conditions. Based on the total prepaid capital (including the desired land value, land acquisition tax, housing construction cost and management expense and sales expense), and the project construction cycle of 3.0 years, assuming that the land value V and land acquisition tax are invested in lump sum at the beginning of the construction cycle, housing construction cost and management expense and sales expense are invested evenly during the construction cycle, and the interest rate takes the 1-5 years loan interest rate of 4.75% implemented from 24 October 2015, as calculated based on compound interest, then:

$$\text{Investment interest} = (\text{land price} + \text{land acquisition tax}) \times [(1 + \text{interest rate})^3 - 1] + (\text{housing construction cost} + \text{management expense} + \text{sales expense}) \times [(1 + \text{interest rate})^{3/2} - 1]$$

$$\begin{aligned}&= V \times (1 + 3.05\%) \times [(1 + 4.75\%)^3 - 1] + (3,560.40 + 106.81 + 3.1\%V + 228.88) \times [(1 + 4.75\%)^{3/2} - 1] \\ &\approx 280.87 + 0.1562V \text{ (RMB'0,000)}\end{aligned}$$

**9. Calculation of sales tax**

Sales tax refers to the tax paid by the seller for pre-sale or sale of the real estate after development is completed, including value-added tax, urban construction and maintenance tax, education surcharge and stamp duty. Through investigation and calculation, it was determined that the total cost of this item is about 5.4% of the value of the real estate after development is completed, and 5.4% is taken for the valuation.

$$\text{Sales tax} = 7,629.42 \times 5.4\% \approx 411.99 \text{ (RMB'0,000)}$$

**10. Calculation of development profit**

Profit refers to the average profit that real estate developers can obtain from real estate developments under normal conditions. The valuation takes sales profit to calculate its development profit. Based on the scale of buildings of the valuation object and other conditions, 15% is taken with reference to the average level of good sales profit margin of real estate developers published in the Enterprise Performance Valuation Standard Value in the past five years, and in combination with the average sales profit margin of the local residential real estate development industry, then:

$$\text{Profit} = \text{total price after development completed} \times \text{profit margin} = 7,629.42 \times 15\% \approx 1,144.41 \text{ (RMB'0,000)}$$

**11. Calculation of land price**

Land price = value after development completed — (land acquisition tax + housing construction cost + management expense + sales expense + investment interest + sales tax) — profit, then:

$$V = 7,629.42 - (3.05\%V + 3,560.40 + 106.81 + 3.1\%V + 228.88 + 280.87 + 0.1562V + 411.99) - 1,144.41 \\ \approx 1,557.08 \text{ (RMB'0,000)}$$

$$\begin{aligned} \text{Commercial land unit price} &= \text{total land price} \div \text{land area} \\ &= 1,557.08 \times 10,000 \div 5,086.28 \\ &\approx 3,061 \text{ (RMB/m}^2\text{)} \end{aligned}$$

## 12. Determination of valuation result of land price

### (1) Method for determination of land price

According to the technical regulations for land price valuation and the specific conditions of the land subject to valuation, the valuation results are as follows:

Land use	Unit land price in valuation results (RMB/m <sup>2</sup> )	
	Market comparison approach	Residue approach
Residential	3,073	3,191
Commercial	3,174	3,061

The appraisers are of the view that: the calculation principles of market comparison approach and residue approach are different. Both approaches can reflect the land price of valuation object from different aspects, and there is little difference in the calculation results of the two approaches. Therefore, the arithmetic average of the two calculation results is used to determine the final price in the valuation, as detailed in the following table:

Land use	Market comparison approach		Residue approach		Area of land parcel (m <sup>2</sup> )	Unit land price		Total land price
	Calculation results (RMB/m <sup>2</sup> )	Weight	Calculation results (RMB/m <sup>2</sup> )	Weight		RMB/m <sup>2</sup>	RMB'0,000/Mu	
Residential	3,073	50%	3,191	50%	36,604.55	3,132	208.80	11,464.55
Commercial	3,174	50%	3,061	50%	5,086.28	3,118	207.87	1,585.90

**(2) Valuation results**

After investigation and analysis of the land parcel of the valuation object and the area in which it is located, the appraisers calculated the market price of the land use right using a scientific valuation approach in accordance with the basic principles of land appraisal and relevant laws and regulations, based on the conditions of the valuation date, the set development degree, the set use, the set land use and current conditions:

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414	Residential	36,604.55 (equivalent to 54.91 Mu)	3,132 (equivalent to RMB2,088,000/Mu)	13,050.45
	Commercial	5,086.28 (equivalent to 7.63 Mu)	3,118 (equivalent to RMB2,078,700/Mu)	

**5) Valuation conclusion of development costs**

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin Kai Guo Yong (2016) No. 0207003 (land parcel 1)	Commercial	5,131.18 (equivalent to 7.70 Mu)	3,119 (equivalent to RMB2,079,300/)	1,600.42
Jin Kai Guo Yong (2016) No. 0207004 (land parcel 4)	Residential	12,409.27	2,925 (equivalent to RMB1,950,000/Mu)	3,629.71
Jin Kai Guo Yong (2016) No. 0207004 (land parcel 2)	Commercial	11,278.65	3,056 (equivalent to RMB2,037,300/Mu)	3,446.76

Real Estate Title Certificate No.	Use	Area of land parcel (m <sup>2</sup> )	Unit land price (RMB/m <sup>2</sup> )	Total price (RMB'0,000)
Jin (2018) Jin Zhong Shi Bu Dong Chan Quan No. 0006414 (land parcel 3)	Residential	36,604.55 (equivalent to 54.91 Mu)	3,132 (equivalent to RMB2,088,000/ Mu)	13,050.45
	Commercial	5,086.28 (equivalent to 7.63 Mu)	3,118 (equivalent to RMB2,078,700/ Mu)	
Total		70,509.93 (equivalent to 105.76 Mu)		21,727.34

According to the above valuation approach, the total appraised value of development costs is RMB2,293,468,484.97, comprising of (1) the appraised value of self-operated project in the amount of RMB241,369,057.27 and (2) the book value of the entrusted construction projects in the amount of RMB2,052,099,427.70.

In particular, the appraised value of the self-owned project of RMB241,369,057.27 includes the state-owned land use right price (i.e. the appraised value of the four land parcels of RMB217,273,400) as well as various land-related expenses already incurred. In particular, the land-related expenses of land parcel 3 and land parcel 4 include survey fees, design fees, engineering fees, supervision fees, consulting fees, employee remuneration, interests, office fees, labour protection fees, etc., and amount to RMB5,866,682.56 and RMB18,228,974.71, respectively. Land parcel 1 and land parcel 2 have no land-related expenses. As mentioned in section 3.1.1.3. below, the appraised values of these land-related expenses for land parcel 3 and land parcel 4 are determined according to their carrying amount.

#### 3.1.1.2. Deed tax

According to the economic behavior and the purpose of valuation, deed tax is not considered in the valuation. Deed tax has not recorded any book value or appraised value for the purpose of this valuation.

*3.1.1.3. Survey fees, design fees, construction road water and electricity engineering fees, other infrastructure fees, engineering survey fees*

According to the balance sheet and audit report provided by the valued unit, we checked the consistency of the general ledger and detailed accounts, verified the accuracy of the book balance, and conducted spot check of the relevant accounting vouchers, to verify the authenticity of the business and determine whether the accounts are consistent with the actual conditions. The appraised value is determined according to the carrying amount on the basis of confirming consistency.

**(2) Product development**

*1) Overview of product development*

The product development consists of (1) 3 residential commodity apartments; (2) 247 underground parking spaces unsold or returned and (3) a community centre in “Phase I of Yijun Community” which has been developed and completed by Jinzhong Development Zone Real Estate Development Co., Ltd.

The “Phase I of Yijun Community” project is located at No. 1080, Longhu West Street, Yuci District, Jinzhong City (South of Huazhang Street (Longhu West Street), Development Zone, east of Xueyuan Road). The land use is other ordinary commercial residential land, with a total land area of 46,762.59m<sup>2</sup>. On 31 January 2019, the construction project planning permit (No. 140700201900025) was obtained, with a total GFA of 116,657.24m<sup>2</sup>, of which 11 residential buildings are well-decorated mid-rise buildings with a total GFA of 91,321.7m<sup>2</sup>, including the community centre of 1,444.48m<sup>2</sup> and the underground garage 23,382.54m<sup>2</sup>.

As of the appraisal reference date, the development and construction of the real estate had completed for 7 residential buildings and related supporting facilities, with a total GFA of 83,125.84m<sup>2</sup> and a floor area of 51.53Mu, including residential housings of 62,523.82m<sup>2</sup>, underground garage of 19,157.54m<sup>2</sup> and community centre of 1,444.48m<sup>2</sup>.

The remaining three unsold residential housings in the valuation, with a total GFA of 320.41m<sup>2</sup>, have been granted the real estate title certificates, with a carrying value of RMB2,042,969.40; 247 underground parking spaces not for civil air defense purpose have a carrying value of RMB23,927,784.07; the “community centre” is a public supporting facility with a carrying amount of RMB2,453,588.27, which is apportioned to the costs of four unbuilt buildings in Phase I of Yijun Community.

### *3.1.2. Product development*

Product development includes (1) unsold residential commodity apartments, (2) underground parking spaces and (3) a community centre.

#### *3.1.2.1. Unsold residential commodity apartments*

According to the Code for Real Estate Appraisal (房地產估價規範), the major valuation approaches for real estate include comparison approach, income approach, cost approach, and hypothetical development approach, etc. Following the principles of objectivity, independence and impartiality, the comparison approach is selected for the unsold residential commodity apartments in accordance with the Code for Real Estate Appraisal (房地產估價規範), the development condition of the local property market as well as the specific characteristics of the valuation object and the purpose of the valuation.

Comparison approach: it is an approach to evaluate the value or price of a valuation object through processing the transaction price of comparable cases based on the differences between them after selecting a certain number of comparable cases for the valuation object. As the purpose of the valuation object is residential commodity apartments and according to the information provided by the principal, the appraisers learned through market survey that there were many similar real estate transaction cases in the area, it is suitable to use the comparison method for valuation, so as to reflect the market price of the valuation object more accurately. The calculation formula is as follows:

Comparable price = transaction price of comparable case × transaction correction coefficient × market condition adjustment coefficient × location adjustment coefficient × physical condition adjustment coefficient × equity adjustment coefficient.

Calculation with Room 6-2-403 of Phase I of Yijun Community as an example:

In the recent real estate market, we selected the existing real estate transactions which are highly correlated and replaceable with the valuation object, all with the same entitlement status and within the same parameters of supply and demand, with those factors affecting the real estate market, such as the locations, features, transaction dates and transaction status all taken into account while making our analysis, comparison and correction based on their actual circumstances, so as to arrive at a reasonable market price of the valuation object.

### 1. Selection of comparables

Through market research and inquiries with the competent authorities, we have chosen a non-exhaustive list of transaction subjects in accordance with the Asset Valuation Standards and Code for Real Estate Appraisal, that:

1. Comparables shall be selected from transaction instances and not less than three;
2. Comparables should be traded in a manner suitable for valuation purposes;
3. The real estate in comparables should be similar to the real estate in the valuation object;
4. The transaction date of the comparables should be close to the valuation date, and the time interval between the dates is not suitable to be more than one year and should not exceed two years;
5. The transaction price of the comparables should be the normal price or can be corrected to the normal price;
6. Under the same conditions, the transaction instances with location, transaction date and valuation date close to the valuation object should be selected as the comparables.

Based on the above provisions, we narrowed down the group of transaction subjects to the three comparables in line with our preset requirements, i.e. similar location (or in the same supply and demand circle), same entitlement status, same purpose, same transaction type and similar valuation date. In particular, the comparables selected are (1) of same purpose being residential housings; (2) situated in Phase III of Xinxing Cultural and Education City, Chenxing Yijun and Agile Xiyuan; (3) of mixed structure; (4) with good to average decoration condition, traffic conditions, environment, floor pattern and property management service; (5) complete infrastructure; (6) relatively complete public facilities; and (7) with transaction dates close to the appraisal reference date, i.e. 30 September 2023.

Details of the comparables are as follows:

Case A: A residential housing in Phase III of Xinxing Cultural and Education City, which is on the 2nd of the 12 floors, with a GFA of 218 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2002, and sold at RMB6,453/m<sup>2</sup> in 2023;

Case B: A residential housing in Chenxing Yijun, which is on the 8th of the 10 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2002, and sold at RMB7,212/m<sup>2</sup> in 2023;

Case C: A residential housing in Agile Xiyuan, which is on the 12th of the 24 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, average decoration condition, completed and delivered in 2003, and sold at RMB7,500/m<sup>2</sup> in 2023.

**Table of comparative factors and conditions for comparables**

Cases	Valuation object	Case A	Case B	Case C
Name of Complex	Phase I of Yijun Community	Phase III of Xinxing Cultural and Education City	Chenxing Yijun	Agile Xiyuan
Year of Transaction	—	2023	2023	2023
Transaction price (RMB/m <sup>2</sup> )	—	6,453	7,212	7,500
Purpose	Residential	Residential	Residential	Residential
Structure	Mixed	Mixed	Mixed	Mixed
Area (m <sup>2</sup> )	86.12	218	104	104
Decoration condition	Decent	Average	Decent	Decent
Orientation	South	North and South	North and South	North and South
Floor	4/11	2/12	8/10	12/24
Year of completion	2020	2006	2019	2020
Traffic conditions	Good	Good	Good	Good
Environment	Good	Average	Good	Good
Infrastructure	Complete	Complete	Complete	Complete
Public facilities	Relatively complete	Relatively complete	Relatively complete	Relatively complete
Floor pattern	Good	Good	Good	Good
Property management service	Good	Good	Good	Good

## 2. Correction of comparables

### (1) Correction of transaction conditions

Comparables A, B and C are all normal market transactions, hence the correction coefficient for transaction conditions of 100/100 for all.

### (2) Correction of transaction date

As the transaction dates of comparables A, B and C are close to the valuation date, and the prices of such type of properties are relatively stable within the same supply and demand circle, the correction coefficient for transaction date is 100/100 as well.

### (3) Correction of location factors

**Table of correction coefficients for location factors**

Comparables Comparative factors	Traffic conditions	Surrounding environment	Public supporting facilities	Infrastructure	Floor	Orientation	Sub-total
Case A	0	-2	0	0	-2	+0.5	3.5
Case B	0	0	0	0	+2	+0.5	+2.5
Case C	0	0	0	0	+4	+0.5	+4.5

**(4) Correction of physical factors****Table of physical factor correction coefficients**

Comparables Comparative factors	Decoration	Year of completion	GFA	Floor pattern	Property management service	Sub-total
Case A	-3	-4	-6	0	0	-13
Case B	0	0	-1	0	0	-1
Case C	0	0	-1	0	0	-1

**3. Comparison correction****Table of comparison correction**

The following is the table of comparison correction for the residential housing 1 (Room 2-403 of Phase I of Yijun Community):

Comparables	Unit price (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Correction coefficient for location factors	Correction coefficient for physical factors	Unit price after correction (RMB/m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )
Case A	6,453	100/100	100/100	100/96.5	100/87	7,686	7,350
Case B	7,212	100/100	100/100	100/102.5	100/99	7,107	
Case C	7,500	100/100	100/100	100/104.5	100/99	7,250	

The following is the table of comparison correction for the residential housing 2 (Room 4-1-801 of Phase I of Yijun Community):

Comparables	Unit price (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Correction coefficient for location factors	Correction coefficient for physical factors	Unit price after correction (RMB/m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )
Case A	6,453	100/100	100/100	100/94	100/88	7,801	7,460
Case B	7,212	100/100	100/100	100/100	100/100	7,212	
Case C	7,500	100/100	100/100	100/102	100/100	7,353	

The following is the table of comparison correction for the residential housing 3 (Room 4-2-101 of Phase I of Yijun Community):

Comparables	Unit price (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Correction coefficient for location factors	Correction coefficient for physical factors	Unit price after correction (RMB/m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )
Case A	6,453	100/100	100/100	100/99	100/88	7,407	7,100
Case B	7,212	100/100	100/100	100/105	100/100	6,869	
Case C	7,500	100/100	100/100	100/107	100/100	7,009	

Note: 1. Unit price after correction = transaction price of object of comparison × correction coefficient for transaction conditions × correction coefficient for transaction date × correction coefficient for location factors × correction coefficient for condition factors;

2. Appraised unit price is the arithmetic average of the three unit prices after correction, with the calculation results accurate to 2 decimal places.

According to the site investigation, Room 4-2-101 of Phase I of Yijun Community is located on the first floor and has a small courtyard that can be used for a long time with the residence. It is understood through the investigation that the value of residential housings with a small courtyard in the area is about 20% higher than that of ordinary residential housings, so adjustment is made according to the influence of this factor on the value of ordinary residential housings with the adjustment coefficient of 120/100.

The market value of Room 4-2-101 of Phase I of Yijun Community is:

$$7100 \times 120 / 100 \approx 8520 \text{ (RMB/m}^2\text{)}$$

#### 4. Determination of the value of valuation object

$$\begin{aligned} \text{Total value of the real estate of residential housing 1} &= \text{appraised unit price} \times \text{GFA} \\ &= \text{RMB}7,350 \times 86.12 \\ &\approx \text{RMB}632,982 \end{aligned}$$

$$\begin{aligned} \text{Total value of the real estate of residential housing 2} &= \text{appraised unit price} \times \text{GFA} \\ &= 7,460 \times 118.38 \\ &\approx 883,114 \text{ (RMB)} \end{aligned}$$

$$\begin{aligned} \text{Total value of the real estate of residential housing 3} &= \text{appraised unit price} \times \text{GFA} \\ &= 8,520 \times 115.91 \\ &\approx 987,553 \text{ (RMB)} \end{aligned}$$

The appraised value of the three residential housings is as follows:

No.	Valuation object	GFA (m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )	Total appraised price (RMB)	Price exclusive of tax (RMB)
1	Room 2-403, Phase I of Yijun Community	86.12	7,350	632,982	580,717
2	Room 4-1-801, Phase I of Yijun Community	118.38	7,460	883,115	810,197
3	Room 4-2-101, Phase I of Yijun Community	115.91	8,520	987,553	906,012

### 3.1.2.2. *Unsold underground parking spaces*

The underground parking spaces of the valuation object have not undergone the necessary property ownership procedures. Through the investigation, it has been determined that the underground parking spaces of the valuation object can generate income through rental, therefore, the income approach has been selected to assess the value of the use rights of the underground parking spaces.

Income approach: it is an approach to predict the future income of the valuation object, and convert the future income into value or price of the valuation object by using the appropriate rate of return or capitalization rate and income multiplier.

There are 247 underground parking spaces in the valuation object, which are developed as inventory products, and the value of the use rights may slightly vary depending on the location. Based on the valuation purpose, the average value of the use rights for the parking spaces was calculated using the income approach.

#### **1. Calculation of the average annual net income per parking space**

Through the investigation, we have learned that the underground parking spaces in the valuation object can be rented out to generate income. They are typically classified into long-term rentals (with a maximum rental period of 20 years) and short-term rentals (on an annual basis). For the purpose of valuation, the rental income is considered on an annual basis.

According to the market survey conducted by the appraisers, the monthly rental for underground parking spaces in the area of the valuation object ranges from RMB250/month to RMB350/month. Considering the specific circumstances of the valuation object, the average monthly rental income for the parking spaces is determined to be RMB300/month, resulting in an annual rental income of RMB3,600. It is also understood that the annual vacancy rate for parking spaces of the same type in the area of the valuation object is approximately 10%.

$$\begin{aligned}\text{Annual Net Income A} &= \text{Annual Rent} \times (1 - \text{Vacancy Rate}) \\ &= 3,600 \times (1 - 10\%) \\ &\approx 3,240 (\text{RMB})\end{aligned}$$

Based on the investigation, it has been determined that lease income for real estate typically occurs at the beginning of the lease term. However, the income approach formula for capitalizing returns assumes that the net income of future periods will occur at the end of the lease term, rather than the reference date. In this case, the comparable examples all have lease income at the beginning of the lease term. Therefore, the net income needs to be adjusted using the following formula: End of A = Beginning of A (1+Y).

Then the valuation object: End of A = Beginning of A (1+Y) = 3,240 x (1+Y).

## **2. Determination of the return rate (Y)**

The return rate of real estate essentially represents the earnings yield of real estate investment assets. According to the Real Estate Valuation Regulations, the return rate can be determined using the safe rate plus the risk-adjusted value method. The safe interest rate can be selected from the annual interest rate of one-year treasury bonds or the annual interest rate of one-year fixed-term lump-sum deposits published by the People's Bank of China. The risk-adjusted value should be determined based on the current economic situation, future forecasts of the region where the valuation object is located, as well as the usage and age of the valuation object. In line with the principle of the safe interest rate plus risk adjustment, we have selected the one-year deposit rate of 1.5% published by the People's Bank of China on 24 October 2015, as the safe rate. Considering the social, political, economic, and environmental factors that impact the value of real estate in the region where the valuation object is located on the reference day, we have chosen 6.0% as the risk-adjusted value, resulting in a return rate (Y) of 7.5%.

## **3. Determination of the income-generating years (n)**

The valuation object was constructed in 2020, and its reinforced concrete structure has a durability of 60 years. As of the reference date, the valuation object has been in use for 2 years. Therefore, the remaining useful life of the building is 58 years. According to the information provided by the client, the remaining term of the land use right as of the reference day is 63.13 years. Applying the principle of the shorter term, the determined income-generating years is 58 years.

**4. Determination of net income incremental rate (g)**

Taking into account the correlation between the increase in rental prices and inflation, and with reference to the latest CPI published by the National Bureau of Statistics of China, the net income incremental rate of the valuation object has been determined to be 2.0% per annum, which was made after a comprehensive analysis conducted by the appraisers, considering the economic conditions of the region where the valuation object is located, the rental market conditions of similar properties, and the specific circumstances of the valuation object.

**5. Determination of the value of a parking space**

$$\begin{aligned}
 V &= \frac{A}{Y-g} \left[ 1 - \left( \frac{1+g}{1+Y} \right)^n \right] \\
 &= \frac{3,240 \times (1+7.5\%)}{7.5\% - 2.0\%} \left[ 1 - \left( \frac{1+2.0\%}{1+7.5\%} \right)^{58} \right] \\
 &\approx 60,316 \text{ (RMB)}
 \end{aligned}$$

As this valuation is based on the average price of all the parking spaces, it has been rounded to the nearest RMB603,000,000, following the practice of leasing and selling parking spaces.

**6. Determination of the total value of the use rights for all inventory parking spaces**

$$60,300 \times 247 = 14,894,100(\text{RMB})$$

The valuation results for inventory — development products, based on market value, should deduct the anticipated value-added tax (9% for output VAT, with a combined rate of approximately 4.30% for output tax minus input tax) and surcharges (12% of the VAT) that are expected to occur during the realization process, as well as the land value-added tax (1.50% for residential and 2.50% for non-residential, excluded based on project specifics), corporate income tax (calculated at an average gross profit of 10%, with a tax rate of 25%), sales management fee (3%), and interest rate (8.5%). The calculation results are summarized in the following table.

No.	Valuation object	Price inclusive of tax (RMB)	Price exclusive of tax (RMB)	Value-added tax (RMB)	Surcharge (RMB)	Corporate income tax (RMB)	Sales management fee (RMB)	Profits (RMB)	Total appraised value (RMB)
1	Room 6-2-403, Phase I of Yijun Community	632,982	580,717	27,218	3,266	14,518	17,422	49,361	496,150
2	Room 4-1-801, Phase I of Yijun Community	883,115	810,197	37,974	4,557	20,255	24,306	68,867	692,212
3	Room 4-2-101, Phase I of Yijun Community	987,553	906,012	42,465	5,096	22,650	27,180	77,011	774,075
4	247 parking spaces	14,894,100	13,664,312	640,446	76,854	341,608	409,929	1,161,467	11,674,454
Total									13,636,891

### 3.1.2.3 Community centre

The audited carrying value of the community centre as at the appraisal reference date is RMB2,453,588.27, and is the cost appropriated to the four unbuilt buildings in Phase I of Yijun Community and the centre is a public supporting facility.

The appraisers first checked the declaration form and the general ledger, the detailed ledger and consulted the original vouchers to verify the correctness of the amount listed in the declaration form. On the basis of the verification of the assets of the project, the appraisers determined the appraised value according to the carrying value in accordance with the requirements of the relevant laws and regulations on asset appraisal.

The appraised value of the community centre is RMB2,453,588.27.

#### 1. Calculation of the carrying amount of the community centre

- (1) Estimated construction cost of the community centre: RMB8,339,864.96;
- (2) 11 buildings should be built on the land parcel with an area of approximately 83,340.74 m<sup>2</sup>

(Built) area of buildings 1-7: 58,828.28 m <sup>2</sup>	Proportion 70.58%
(Remaining unbuilt) area of buildings 8-11: 24,512.46 m <sup>2</sup>	Proportion 29.42%
- (3) Total construction cost \* Proportion of remaining unbuilt area = 8,339,864.96\*29.42% = RMB2,453,588.27

#### 2. Reason for presentation of the community centre at carrying amount

The community centre is a public supporting building of the Phase I of Yijun Community, and part of its cost has been appropriated to the seven completed residential buildings, which have been sold. As the carrying value of the remaining community centre of RMB2,453,588.27 represents the cost to be appropriated to the four buildings that have not been built and is an incomplete asset, its carrying value is taken as the appraised value of the community centre in the valuation.

*3.1.3 Monetary funds*

The audited carrying value of the monetary funds as at appraisal reference date was RMB17,478,518.46, which are all bank deposits, involving a total of 18 accounts, all of which are RMB accounts.

The appraisers checked the book balance with the bank statement and the bank deposit reconciliation statement, and sent a letter to the bank for confirmation to verify the correctness of the bank deposit balance. The appraised value was determined based on the carrying value of the bank deposits after verification.

The appraised value of the bank deposits was RMB17,478,518.46.

*3.1.4 Prepayments*

The audited carrying value of the prepayments as at appraisal reference date was RMB12,900,078.89, and the accounting contents include the prepayments for projects, electricity charge, design fee, etc., of the valued entity.

The appraisers first checked the declaration form and the general ledger, the detailed accounts and consulted the original vouchers to verify the correctness of the amounts listed in the declaration form. On the basis of verifying the correctness of prepayments, the appraisers talked with the financial personnel and related personnel of the company according to the business contents, occurrence dates and amounts of clients listed in the schedule of prepayments as declared by the valued entity. The financial personnel and relevant personnel introduced the actual situation of the debtors in detail. In accordance with the requirements of the relevant laws and regulations of asset appraisal, the appraisers specifically analyzed the reasons for the formation of the prepayments, and determined the appraised value based on the carrying value of the payments for which the goods or corresponding services could be received after verification.

The appraised value of prepayments was RMB12,900,078.89.

*3.1.5 Other receivables*

The audited carrying value of other receivables as at appraisal reference date was RMB957,741,208.40, of which the carrying value of dividends receivable amounted to RMB61,683,500.00, and the accounting contents include various other receivables and temporary payments of the valued entity other than receivables and prepayments.

During the inspection, the appraisers first checked whether the detailed accounts were consistent with the general ledger and statement balances as well as the asset valuation schedule, checked accounting records such as payment amount, occurrence time, business contents, etc., and analyzed the aging of the accounts. Secondly, based on the principle of importance, the amount test was conducted on accounts with large amounts and long aging to verify the authenticity and completeness of other receivables. On the basis of verification, the amount that may be recovered for each payment was determined. Based on the above, the appraised value was determined based on the carrying value.

The appraised value of other receivables was RMB957,741,208.40, of which the appraised value of dividends receivable was RMB61,683,500.00.

### *3.1.6 Other current assets*

The audited carrying value of the other current assets as at appraisal reference date was RMB106,968,609.83, mainly representing pre-paid taxes and surcharges, pending deduct input tax, etc.

The appraisers checked the declaration form and the general ledger, the detailed accounts and consulted the original vouchers to verify the correctness of the amounts listed in the declaration form. On the basis of verifying the correctness of prepaid taxes, the appraisers talked with the financial personnel and related personnel of the company according to the contents, occurrence dates and amounts listed in the schedule of prepaid taxes as declared by the valued entity. The financial personnel and relevant personnel introduced the actual situation of payments in detail. In accordance with the requirements of the relevant laws and regulations of asset appraisal, the appraisers specifically analyzed the reasons for the formation of the prepayments, and determined the appraised value based on the carrying value after verification.

The appraised value of other current assets was RMB106,968,609.83.

## 3.2 Long-term equity investment

Unit: RMB

Name of the investee company	Date of investment	Percentage of shareholding	Cost of investment	Book value	Appraised value	Appreciation/depreciation amount	Appreciation rate
Jinzhong Xiya Real Estate Development Co., Ltd.* (晉中熙雅房地產開發有限公司) ("Jinzhong Xiya")	2018.4	67%	50,000,000.00	50,000,000.00	57,867,323.10	7,867,323.10	15.73%

The extended valuation of Jinzhong Xiya had been performed with the appraised value of net assets of Jinzhong Xiya as at the appraisal reference date multiplied by the percentage of its equity interest of the valued entity.

The project developed and constructed by Jinzhong Xiya is "Xiyuan" (熙苑) project, which covers an area of 30.85Mu and has a floor area of 67,400m<sup>2</sup>. In the valuation, there were 2 residential properties (with a total floor area of 236.29m<sup>2</sup>), 1 commercial property (with a total floor area of 49.02m<sup>2</sup>) and 337 underground parking spaces left on the account.

The appreciation of long-term equity investment was mainly because the valuation of Jinzhong Xiya had been performed on the entirety of Jinzhong Xiya and the valuation would then be valued with reference to the appraised reference value of entire equity interests multiplied by the percentage of its equity interest, while the book value of the long term equity investment were accounted for using the cost method and thus there was the difference in the results.

The key quantified input values and assumptions used in the calculation of appraised value and the calculation process are as follows:

## 3.2.1 Valuation method for non-current assets

For the equity investment of Jinzhong Xiya, an overall valuation of the investee unit is carried out first, and the appraised value is determined based on the value of the entire equity interests of the shareholders after valuation multiplied by the shareholding ratio.

For the value of the entire equity interests of Jinzhong Xiya, the market approach is not considered in the valuation, mainly due to that compared with the outstanding shares of listed companies, comparable and effective reference objects are not available in the market for the equity interests of the above company; meanwhile, among the non-listed companies, due to the lack of market disclosure information, it is impossible to obtain comparable and effective reference objects in the market, so the market approach cannot be adopted in the valuation. In addition, there are no development projects under construction at present, and it is uncertain whether new land parcels can be obtained for projects in the future. Based on the above, the management of the company cannot make accurate and reasonable prediction of future income, so the income approach cannot be adopted in the valuation.

For Jinzhong Xiya, the physical conditions, title ownership, etc. of various assets and liabilities can be investigated and identified, which meets the basic conditions of using the asset-based approach for valuation. Therefore, the asset-based approach is adopted for the overall valuation, and the appraised value is determined based on the value of the entire equity interests of the shareholders after valuation multiplied by the shareholding ratio. The calculation formula is as follows:

Appraised value of long-term equity investment = value of the entire equity interests of the shareholders of the investee unit × shareholding ratio

The valuation of subsidiaries using the asset-based approach is similar to that of parent company, and will not be explained separately.

### 3.3 Fixed assets

The gross value, net value and appraised value of equipment (including vehicles, electronic equipment and office equipment) are summarised in the table below:

*Unit: RMB*

Name	Book value		Appraised value		Appreciation amount	
	Gross value	Net value	Gross value	Net value	Gross value	Net value
Vehicles	789,981.54	33,419.73	728,400.00	319,527.00	-61,581.54	286,107.27
Electronic equipment	418,843.04	14,389.93	327,708.09	58,069.00	-91,134.95	43,679.07
Office equipment	210,564.04	7,152.43	172,208.14	27,612.50	-38,355.90	20,460.07
<b>Total</b>	<b>1,419,388.62</b>	<b>54,962.09</b>	<b>1,228,316.23</b>	<b>405,208.50</b>	<b>-191,072.39</b>	<b>350,246.41</b>

The main reasons for the appreciation or depreciation of appraised value of equipment (including vehicles, electronic equipment and office equipment) are as follows:

1. The valuation of replacement costs varied with the fluctuations in market prices and price index that had valuation impact on replacement costs;
2. The appraised assets' net value were higher than their net book value as a result of the change in newness rates caused by the difference between the accounting depreciation life adopted by the valued entity and the economic life adopted in the valuation.

The key quantified input values and assumptions used in the calculation of appraised values and the calculation process are as follows:

#### 3.3.1. Vehicles

*3.3.1.1 For vehicles that are actively traded in the market, the market approach is adopted for valuation*

Market approach for valuation of vehicles refers to the valuation approach that determines the value of an appraised vehicle by comparing the similarities and differences between the appraised vehicle and similar vehicles recently sold and make adjustment according to the market price of similar vehicles.

In valuation, the appraisers obtain the second-hand vehicle trading prices of second-hand vehicles through the second-hand vehicles trading market. Upon analysis and comparison and removal of unreasonable factors, the appraised value of the vehicle is then determined after adjustment according to the differences between the appraised vehicle and the traded vehicles after.

Market approach is an approach to estimate the value of the assets subject to valuation by selecting the recent trading prices of the assets which are the same or similar to those subject to valuation for comparison with the assets subject to valuation. The basic formula is as follows:

Appraised value of vehicle under market approach = reference trading price × trading condition correction coefficient × trading time correction coefficient × individual factor correction coefficient

The factor correction coefficient is to correct the differences between the assets subject to valuation and the reference object, so as to correct the price level under the conditions of the reference object to the price level under the conditions of the assets subject to valuation. The factors that need to be corrected are generally in four aspects, namely trading condition, trading time, trading place, and individual factors.

*3.3.1.2 For vehicles that are not actively traded in the market, the cost approach is adopted for valuation.*

Computational formula: appraised value = replacement cost × comprehensive newness rate

#### **1 Determination of replacement cost**

Replacement cost = vehicle purchase price (tax inclusive) + vehicle purchase tax + other expenses — deductible VAT

##### **A. Determination of vehicle purchase price (tax inclusive)**

The vehicle purchase price is determined by comparison and analysis after inquiry with local dealers.

##### **B. Determination of vehicle purchase tax**

It is calculated by multiplying the price of the vehicle excluding tax by a 10% tax rate.

C. Determination of other expenses

According to the relevant provisions of the state on the management of motor vehicles, vehicles must go through the registration procedures, and the expenses are incurred by vehicle registration, vehicle qualification inspection, pollutant discharge qualification inspection, and new vehicle charge, etc.

D. Determination of deductible VAT

For equipment eligible for VAT deduction, the deductible VAT is calculated.

Deductible VAT = Purchase price including tax/(1+13%)×13%

**2 Determination of comprehensive newness rate**

A. Service life method

Newness rate under service life method = remaining service life/(used service life + remaining service life) ×100%, or;

newness rate under service life method = (total service life — used service life)/total service life×100%

B. Mileage method

Newness rate = (specified mileage — travelled mileage)/specified mileage×100%

C. Observation and analysis method

During the on-site work phase, appraisers will conduct comprehensive analysis of major indicators including vehicle engine performance; operation of each system of the vehicle chassis; conditions of vehicle body; use of electrical equipment of vehicle; repair and maintenance of vehicle; overhaul and technical improvement of vehicle; original build quality of vehicle; exterior and integrity of vehicle, etc. through observation, survey and listening to the opinions of relevant technical personnel.

## D. Comprehensive newness rate

In the vehicle valuation, the method of whichever is lower is used to determine the newness rate, i.e., the lower of the newness rate determined by the service life method and the newness rate determined by the mileage method. Meanwhile, according to the on-site observation and analysis factors of the appraisers, the final comprehensive newness rate is determined with the weighted value of the abovementioned lowest newness rate and newness rate under the observation and analysis method.

The computational formula of the comprehensive newness rate is as follows:

Comprehensive newness rate = newness rate under service life method (newness rate under the mileage method)  $\times 40\%$  + newness rate under observation and analysis method  $\times 60\%$

## 3 Determination of appraised value

Appraised value = replacement cost  $\times$  comprehensive newness rate

## 4. Valuation example

Taking Jin K02203 Tiantan small ordinary passenger car as an example:

(1) Overview of the vehicle:

**Table of Information on Jin K02203 Tiantan Small Ordinary Passenger Car**

<b>Motor vehicle owner</b>	Jinzhong Development Zone Real Estate Development Co., Ltd.	<b>Vehicle license plate</b>	Jin K02203
<b>Vehicle brand</b>	Tiantan	<b>Exterior color</b>	White/yellow
<b>Vehicle model</b>	8F5032XSW	<b>VIN</b>	JTFSX23P2H6184530
<b>Nature of use</b>	Non-operating	<b>Engine No.</b>	2TR9138120
<b>Displacement / power</b>	2,694ml/113kw	<b>Vehicle manufacturing date</b>	2018.1.31
<b>Name of manufacturer</b>	Beijing Tiantan Haiqiao Bus Co., Ltd.	<b>Date of issue</b>	2018.3.29

<b>Domestic / Imported</b>	Imported refitted vehicle	<b>Approved passenger load</b>	9 people
<b>Annual survey</b>	Valid until March 2024	<b>Fuel type</b>	Gasoline

The on-site inspection showed that the vehicle parked outside the yard of the business premises of the valuation object. The exterior of the vehicle has good gloss and is slightly faded; the lights are complete, and the front and rear bumpers are complete; the vehicle's technical conditions are good and the vehicle can operate normally; the overall body is white and the tires are worn; the interior of the vehicle is complete and the leather seats have slight wear; the instrument panel and indicator lights display normally. As of the appraisal reference date, the odometer showed 21,920 km; the chassis, steering system, braking system, gearbox, front axle and rear axle are in good conditions; the power system and the engine igniter work normally; the cleanliness of the interior decoration is general, and the air conditioning system and sound system work normally.

(2) *Valuation Approach*

According to market survey, the market transaction volume of the vehicle as the valuation object is small. Therefore, the cost approach is used to calculate the value of the valuation object.

① *Replacement cost*

The appraisers have learned from the staff of the 4S store that the valuation object is a 2017 model vehicle which is no longer for sale. For the 2022 new model vehicle, the guide price is RMB618,000, the purchase tax is RMB54,690.27, the local motor vehicle license plate fee and other fees based on market research are about RMB500, and the VAT deductible is RMB71,097.35. Therefore, the replacement value is determined as:

Replacement cost = vehicle purchase price (inclusive of tax) + vehicle purchase tax + other expenses – VAT deductible

$$= 618,000 + 54,690.27 + 500 - 71,097.35$$

$$\approx 602,100 \text{ (RMB)}$$

② *Determination of comprehensive newness rate:*

The comprehensive newness rate is calculated under the comprehensive analysis method. The comprehensive analysis method is to determine the newness rate of a used vehicle based on the useful life (or mileage) while taking into account the impact of various factors such as the actual technical conditions, maintenance conditions and use conditions of the used vehicle.

A. *Newness rate under service life method*

The valuation object was registered in March 2018. The newness rate of the vehicle under service life method, if calculated based on the economic useful life of 15 years, was 63% as of the appraisal reference date.

B. *Newness rate under the mileage method*

The mileage of the valuation object was 21,920 km, and the mileage depreciation rate is 96% based on the prescribed mileage of 60,000 km.

The comprehensive newness rate of 63% is selected based on the newness rate under these two methods, whichever is smaller.

C. *Newness rate under observation and analysis method*

As the valuation object was purchased earlier, some of the parts and components technology and configuration were behind the new model. The new model has changed and improved as compared with valuation object in many aspects, such as the number of gearbox gears, overall body size, weight, maximum horsepower, power and internal configurations. Taking into account the actual use and the gap with new models, the appraisers determined that the newness rate under observation and analysis method is 30%.

*D. Determination of comprehensive newness rate*

In summary, the comprehensive newness rate is determined to be

$$\begin{aligned} \text{Comprehensive newness rate} &= \text{newness rate under service life method} \times 40\% \\ &+ \text{newness rate under observation and analysis method} \times 60\% \\ &= 63\% \times 40\% + 30\% \times 60\% \\ &= 57\% \end{aligned}$$

*(3) Determination of appraised value*

According to the formula:

$$\begin{aligned} \text{Appraised value} &= \text{replacement value} \times \text{comprehensive newness rate} \\ &= 602,100 \times 43\% \\ &= 258,903 \text{ (RMB)} \end{aligned}$$

**3.3.2. Equipment**

The basic approaches of asset valuation include market approach, income approach and cost approach. The equipment as valuation object is not an asset portfolio and does not have independent profitability, and thus the income approach is not applicable to the valuation.

Based on the characteristics of all kinds of equipment, type of appraised value, data collection and other relevant conditions, the cost approach is mainly used for valuation; for used equipment and abandoned equipment with price available in the second-hand market, the second-hand price is used for valuation.

Cost approach: It is an approach in which the difference between the full cost of reacquiring or constructing an appraised asset in a new status under current conditions, less the physical depreciation, functional depreciation and economic depreciation already incurred by the appraised asset, is used as the appraised value of the appraised asset, which will be used to determine the value of the valuation object.

### 3.3.2.1 Determination of full replacement price

The full replacement price is composed of the current market purchase price, transportation and miscellaneous costs, installation and commissioning costs, etc. (for general VAT taxpayers, the equipment that meets the VAT deduction conditions, the full replacement price of the equipment does not include the corresponding VAT). The assets under the valuation are all office equipment and electronic equipment, and the upfront cost and capital cost of the equipment are not considered.

Full replacement price = market purchase price + transportation and miscellaneous costs + installation and commissioning costs — deductible VAT

- A. Where the market purchase price of the domestic equipment can be found on the appraisal reference date, the full replacement price of the equipment shall be determined with the reasonable purchase price in the domestic market plus transportation and miscellaneous costs and installation and commissioning costs. The transportation and miscellaneous costs of equipment subject to free home delivery by suppliers are zero. For equipment that does not require installation or commissioning or whose purchase price already includes installation and commissioning costs, the installation and commissioning rate is zero.
- B. For the equipment that has no current price available for inquiry, it is modified based on its performance, characteristics and technical parameters as compared with similar products and the full replacement price is determined by analogy.
- C. The valuation is based on the characteristics of the equipment subject to valuation. The purchase price of the equipment includes the necessary transportation and miscellaneous costs and installation and commissioning costs, and the transportation and miscellaneous costs and installation and commissioning costs are not considered separately.

### 3.3.2.2 Determination of newness rate

The service life method and field investigation method are used to determine the comprehensive newness rate of electronic equipment, and the service life method calculates the service life newness rate through the used service life and economic service life (economic life). The field investigation method determines the newness rate through the field investigation of the running conditions, the maintenance and the environment of the machinery and equipment.

- A. The computational formula of newness rate under the service life method is as follows:

Newness rate under service life = (economic service life — used service life)/economic service life×100%

- B. Newness rate under field investigation method

The appraisers conduct a comprehensive analysis of the main technical indicators of the machinery and equipment through field investigation and listening to the opinions of equipment managers and technicians, including:

- a Current technical status of the equipment;
- b Actual time in use of equipment;
- c Normal load rate of equipment;
- d Original manufacturing quality of equipment;
- e Repair and maintenance of equipment;
- f Overhaul and technical improvement of equipment;
- g Working environment and conditions of equipment;
- h Appearance and integrity of equipment.

After a detailed understanding of the above, the standards of newness rate of machinery and equipment are determined and the graded newness rates are used as the standard basis for determining the newness rate, as detailed in the following table:

**Reference Table for Valuation of Newness  
Rate under Field Investigation Method**

Grade	Newness	Description	Newness rate %
1	New equipment	New equipment or equipment not used for a long time. After test acceptance, the quality is up to standard. Equipment that can guarantee the normal operation with the original design performance	100-90
2	Relatively new equipment	Equipment that has not been used for a long time, with relatively new appearance, stable performance and good operation conditions, and can meet the design requirements, without major fault	89-65
3	Half new equipment	Equipment that has been used for a long time, with old appearance and relatively good operation conditions, can basically meet the equipment design requirements and process requirements and requires regular maintenance to ensure normal use	64-40
4	Old or relatively old equipment	Equipment that has been used for a long time or undergone several overhauls, can still be used at present in general conditions, with significantly reduced performance and more faults in operation, and can still meet the process requirements after maintenance and be used safely.	39-15

C. The computational formula of the comprehensive newness rate is as follows:

Comprehensive newness rate = newness rate under the service life method×40% + newness rate under field investigation method×60%

### 3.3.2.3 Determination of appraised value

Computational formula: appraised value = replacement cost × comprehensive newness rate

### 3.3.2.4 Appraisal of second-hand price

For the updated electronic equipment, obsolete equipment and discarded equipment, the second-hand price is appraised based on the price in the second-hand market or the scrap price on the appraisal reference date.

### 3.3.2.5 Valuation example

Fixed Assets – Breakdown of Electronic Equipment Valuation Report No. 25

Name of equipment: color printer

Model: Epson L850

Time of purchase: October 2017

Time of service commencement: 17 October 2017

Quantity: 1

Gross carrying value: RMB3,600

Net carrying value: RMB108

#### (1) Valuation process

The appraisers, together with the personnel of the relevant department of the title owner, conducted on-site inspection of the equipment. The equipment was stored in the finance office, and the actual manufacturer and model specifications of the equipment were consistent with the declaration documents. According to on-site verification, the equipment use environment and use conditions were good.

## (2) Valuation approach

Based on review of the original vouchers of the enterprise and price inquiry in the market, the tax-inclusive sales price of equipment was RMB3,018 per set (including transportation cost) as of the appraisal reference date. According to the Handbook of Common Methods and Parameters for Asset Valuation, the economic useful life of the equipment is 8 years.

After checking the equipment conditions on the spot and talking with the operators and technicians, the appraisers understood that the equipment had not undergone overhaul since it was put into use in October 2017. As it has been purchased for a long time, the state of use is general and the performance can basically meet the requirements of daily use, and it can be used safely and is 30% new.

The valuation and calculation process is as follows:

*Unit: RMB*

No.	Item	Calculation process			Result
(1)	Unit purchase price	Market price inquiry			3,018.00
(2)	Deductible VAT	$(1) \times 13\% \div (1 + 13\%)$			347.20
(3)	Replacement unit price	$(1) - (2)$			2,670.80
(4)	Full replacement price	$(3) \times \text{Quantity}$			2,670.80
(5)	Economic useful life	Handbook of Common Methods and Parameters for Asset Valuation			8
(6)	Useful life	Reference date – date of service commencement			5.96
(7)	Remaining useful life	$(5) - (6)$			2.04
(8)	Newness rate under service life method	Weight 1	40%	$(7) \div (5) \times 100\%$	26%

No.	Item	Calculation process			Result
(9)	Newness rate under observation method	Weight 2	60%	Determination on basis of on-site investigation	30%
(10)	Comprehensive newness rate	(8) × Weight 1 + (9) × Weight 2			28%
(11)	Appraised value	(4) × (10)			748

### 3.4 Current liabilities

#### 3.4.1 Accounts payable

The carrying value of the accounts payable as at appraisal reference date was RMB59,922,540.51. The accounting contents are the payable design fees, engineering payments, payments for materials, installation fees, surveying and mapping fees, supervision fees, water rate, natural gas fee, labor costs, etc. This valuation was to verify the authenticity and completeness of the payables by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying amount.

The appraised value of accounts payable amounts was RMB59,922,540.51.

#### 3.4.2 Advances from customers

The carrying value of advances from customers as at the appraisal reference date was RMB732,954,726.26. The accounting contents are the payments for purchase of housings received in advance by the valued entity. This valuation is to verify the authenticity and completeness of advances from customers by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying amount.

The appraised value of advances from customers was RMB732,954,726.26.

### ***3.4.3 Taxes payable***

The carrying value of taxes payable as at the appraisal reference date was RMB41,549,800.25. The accounting items are various taxes and fees payable by the valued entity. This valuation is to examine the accounting, provision and payment of various taxes in accordance with the provisions of national tax laws and regulations, and then to determine the appraised value of the estimated tax based on the verified amount.

The appraised value of taxes payable was RMB41,549,800.25.

### ***3.4.4 Other payables***

The appraised value of other payables as at the appraisal reference date was RMB2,110,716,939.32, of which the amount of the dividend payable was RMB71,965,200.00. The accounting contents are all payables of the valued entity other than accounts payable, advances from customers and taxes payable. This valuation is to verify the authenticity and completeness of other payables by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying value. The appraised value of other payables was RMB2,110,716,939.32, of which the appraised value of dividends payable was RMB71,965,200.00.

## **3.5 Non-current liabilities**

Non-current liabilities include long-term borrowings and special payables.

The appraised value of long term borrowings as at the appraisal reference date was RMB178,000,000.00. The accounting contents include the borrowings of the valued entity with Jinzhong Development Zone Rural and Commercial Bank Co., Ltd. This valuation is to verify the authenticity and completeness of other payables by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying value.

The appraised value of long term borrowings was RMB178,000,000.00.

The carrying value of the special payables as at the appraisal reference date was RMB142,491,223.22, which was a non-proprietary item, and the appraised value was presented at the carrying value.

#### 4. VALUATION ASSUMPTIONS

The following valuation assumptions were used by the Business Valuer in this valuation:

##### 4.1 Basic assumptions

1. The open market assumption is to assume that the parties to the transaction of the assets traded in the market, or the assets to be traded in the market, have equal status and each has the opportunity and time to obtain sufficient market information in order to facilitate the reasonable judgement on the function, use and transaction prices, etc. of the assets. The open market assumption is based on the fact that assets can be traded publicly in the market.
2. The transaction assumption is to assume that all assets to be valued are already in the process of transaction, and the appraisers conduct the valuation based on the simulated market such as the transaction conditions for the assets to be valued. The transaction assumption is the most basic assumption for the valuation to be conducted.
3. The assumption of continued use of assets is to assume the continued use of the valuation subject in place according to its current use and intended use methods, scale, frequency, circumstance, etc.
4. The assumption of the external environment of valuation is to assume that there will be no major changes in the relevant prevailing national laws, regulations, and policies; there will be no major changes in the social and economic environment where the valued entity is located; and there will be no major impacts of other force majeure factors.
5. Assumption of valuation subject

It is assumed that the purchase, acquisition, and construction processes of the assets involved in the valuation subject are in compliance with relevant national laws and regulations, and that the existence of the appraised value of the assets subject to valuation presupposes that they have been acquired in a legal manner and protected by relevant laws.

It is assumed that the physical assets involved in the valuation subject have no major technical failures that affect their continued use, and that its key components and materials have no potential major quality defects.

The Valuation Report is based on the assumption that the valuation subject is not subject to any other rights (including mortgage rights, lease rights, liens, etc.) and has no co-owners.

6. Assumption of authenticity of collected information

The Valuation Report is based on the authenticity and legality of the information related to the valuation provided by the principal and the valued entity, and is used as one of the important basis for the valuation. If the information provided by the principal or the valued entity is incorrect, all responsibilities shall be borne by the principal or the valued entity.

7. The value estimation under the Valuation Report is made on the premise that all significant or potential factors which may affect the valuation analysis have been fully disclosed between the appraisal agency, the principal and the valued entity.

#### 4.2 General assumptions

1. There are no expected major changes in the relevant national laws, regulations and policies for the industry in which the valued entity is located;
2. Except for changes known to the public, there are no other expected major changes in the socio-economic environment and economic development;
3. Changes in the current national bank credit interest rates and foreign exchange rates can be maintained within a reasonable range;
4. Except for changes known to the public, there are no changes in the current national tax system;
5. There is no major adverse impact from other force majeure and unpredictable factors;
6. There will be no significant changes in the accounting policies and accounting methods of the valued entity in the future.

#### 4.3 Special assumptions

1. With regard to the legal description or legal issues of the appraised assets under the Valuation Report (including their ownership or encumbrance limitations), we will conduct a general investigation in accordance with the requirements of the standards.

Apart from those disclosed in the work report, the ownership of the appraised assets is assumed to be in good condition and tradable in the market, not subject to any lien and easement, have not been violated and bearing no other encumbrances.

2. We have conducted independent review of the information provided by the principal and other parties upon which the conclusion, in whole or in part, relating to the appraised value set out in the Valuation Report pursuant to the valuation procedures. We make no representation as to the authenticity and accuracy of such information.
3. It is assumed that all certificates, licenses, letters of consent or other legal or administrative authorization documents signed or issued by relevant local and national governmental institutions, private organisations or groups, which are required by the users and have been taken into account in deriving the valuation set out in the Valuation Report, have been or could be obtained or updated at any time.
4. The valuation is made based on the purchasing power of the local currency on the appraisal reference date.
5. Estimations made in the Valuation Report are based on the assumption that all significant or potential factors which may affect the valuation analysis have been fully disclosed between us and the valued entity.

In case of changes in the above valuation assumptions, the valuation results will generally become invalid.

## **5. SPECIAL NOTES**

The following matters cannot be assessed and estimated by the Business Valuer based on their professional level and ability, but they may indeed affect the appraisal conclusion, so the users of this Business Valuation Report should pay special attention to them:

### **(I) Use of expert work and relevant reports**

The balance sheet in this Business Valuation Report is based on the audited value in the “Jin Hua Yi Cai Shen [2023] No. 0262” (Consolidated) Audit Report of Jinzhong Development Zone Real Estate Development Co., Ltd. issued by Shanxi Huayi Accounting Firm Co., Ltd.

**(II) Issues regarding the identification of the scope of assets of Jinzhong Development for valuation purpose**

According to the information provided by the principal and the balance sheet of the Company, Jinzhong Development Zone has constructed three projects from its establishment to the appraisal reference date:

- (1) Self-operated project (自營項目): i.e. “Phase I of Yijun Community” (頤郡小區一期) project subject to audit and valuation as involved in the economic behaviour;
- (2) Entrusted construction projects (代建項目): the project names are “Longtian Urbanization Construction Project” (龍田城鎮化建設項目) (“**Longtian Project**”) and “Affordable Housing Community Project” (保障性安居小區工程項目) (“**Affordable Housing Project**”), respectively. Based on a joint explanatory memorandum (聯合說明文件) entered into in June 2023 between the Vendor, the Management Committee of Jinzhong Economic and Technological Development Zone and Jinzhong Development, it is confirmed that Longtian Project and Affordable Housing Project are both construction projects entrusted to Jinzhong Development by the Management Committee of Jinzhong Economic and Technological Development Zone. Accordingly, the entrusted construction projects belong to the Management Committee of Jinzhong Economic and Technological Development Zone in essence, they are not in under control of Jinzhong Development, and the relevant assets and income generated do not fall in the scope of equity interest for valuation purpose, so the projects are not in the scope of the valuation.

**(III) Valuation treatment for the entrusted construction projects which are not in the scope of valuation but are contained in the audit statements**

Since the capital investment in the entrusted construction projects is a special financial fund, accounting is only carried out in Jinzhong Development, and the equalization of assets and liabilities has no impact on the shareholders’ equity.

- (IV) The appraisal agency and appraisers disclaim any responsibility for those defects that may affect the valuation of the assets but are not explained specifically in engagement, and are unknown to the appraisers after implementing appraisal procedures.
- (V) This Business Valuation Report is compiled based on the economic behaviour documents, business licences, property right certificates, financial statements, accounting vouchers, asset ledger and other relevant information concerning this appraisal and supplied by the principal and the valued entity. The principal and the valued entity are responsible for the authenticity, validity and integrity of the original data supplied in relation to the abovementioned appraisal. The Company has independently examined the relevant economic behaviour documents, business licenses, property rights certificates, accounting vouchers and other information provided by the principal and the valued entity, but is not responsible for the authenticity of the above information.
- (VI) The result of this valuation reflects the current value of the valuation subject for the purpose of this valuation and on an open market basis. This report takes no account of the impact of special additional costs that may be contributed by the parties on the appraised value, and without taking into account of the changes in the state's macroeconomic policies, as well as acts of nature and other force majeure on the value of the assets.
- (VII) We have not considered some factors that may affect the valuation, such as the expenses and taxes assumed for disposal of the assets subject to valuation, and we have not considered any tax as may be levied in respect of the revaluation gain and loss of asset value in each category of assets.
- (VIII) We have not considered the impact to the valuation conclusions arising from any limiting factors such as the guarantee and pledge of appraised asset reported herein.

**(IX) Title Ownership Information**

1. The land and buildings included in the scope of the valuation have all been granted relevant and available title certificates. We assume that there is no property rights dispute over the valuation object, and the principal and the valued entity are responsible for the authenticity of the ownership information of the valuation object. Users of the report should note that our appraisers do not assume responsibility for disputes arising from the defects in the ownership.
2. For the developed remaining land, the undeveloped area under the State-owned Land Use Certificate (Jin Kai Guo Yong (2016) No. 0207004) shall be based on the Schematic Diagram of the Remaining Land Area of Plot 18-02 of Phase I of Yijun Community (頤郡小區一期) project issued by Jinzhong Development Zone Survey, Mapping and Design Service Co., Ltd. as provided by the principal, and the principal is responsible for the accuracy of the information. Users of the report should note that we and the appraisers do not assume the corresponding responsibility for disputes arising from the information.

**(X) Limitation of the appraisal procedures**

1. The assets and liabilities for which the self-owned projects and entrusted construction projects cannot be stripped are presented at the audited carrying amount in the valuation.
2. The technical specifications or parameters of the assets within the scope of the valuation were provided by the valued entity. For the assets declared for valuation, the appraisers carried out on-site verification as far as possible. If the assets cannot be counted for reasons such as the use and placement of the assets, the valuation shall be based on the on-site investigation.

**(XI) Incomplete valuation information**

There is no evidence of incomplete information in the valuation.

(XII) The valuation conclusion is the result obtained through estimation based on the relevant information provided by the valued entity. The information provider shall be responsible for the authenticity, objectivity and integrity of the information. If the rationality of the analysis results is affected due to the authenticity of the information or if the enterprise transfers or hides assets or has other behaviours affecting the analysis results, we shall assume no responsibility therefor.

**(XIII) Events in the period from the appraisal reference date to the date of the valuation report that may have an impact on the conclusion of valuation**

1. On 13 November 2023, Jinzhong Development signed a parking space offset agreement with Shanxi Yufa Hongye Building Materials Co., Ltd., pursuant to which the company shall offset the project payment of RMB501,967.94 owing to Shanxi Yufa Hongye Building Materials Co., Ltd., with 7 underground flat parking spaces of the Phase I of Yijun Community (頤郡小區一期) project.
2. In November 2023, Jinzhong Development and Shanxi Zhongwang Media Co., Ltd. signed an agreement on offset with the parking space of Phase I of Yijun Community (頤郡小區一期) project, pursuant to which the company shall offset the advertising and publicity payment owing to Shanxi Zhongwang Media Co., Ltd. of RMB100,000.00 with an underground flat parking space and an underground storage room of Phase I of Yijun Community (頤郡小區一期) project.

**(XIV) Defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the conclusion of valuation**

1. When there is a change in the quantity of assets, the amount of assets should be adjusted accordingly, according to the original valuation method;
2. When there is a change in the asset price standard which has an obvious impact on the appraised value, the principal shall promptly engage a qualified valuation agency to re-determine the appraised value;
3. This valuation conclusion just reflects the prevailing price determined under the open market principle for the valuation purpose, without considering the pledge and guarantee undertaken or the impact on asset price due to changes in national macroeconomic policies, or the occurrence of a natural disaster and other force majeure causes. In case of change of foregoing conditions, the valuation conclusion generally becomes invalid.

4. The valuation is concluded based on the foregoing principles, basis, premise, methods and procedures and the valuation conclusion is only effective with the foregoing principles, basis and premise.
5. For other defects that may exist in the valuation and affect the valuation results, if the enterprise does not make a special explanation and the appraisers are unable to get aware of the same based on their professional experience, the appraisal agency and the appraisers shall not bear the relevant responsibilities therefor.

(XV) It is the responsibility of the registered asset appraiser to estimate the value of the valuation object and express professional opinions in accordance with relevant laws, regulations and assets valuation standards; it is the responsibility of the principal and relevant parties involved to provide the necessary information and ensure the authenticity, legality and completeness of the information provided and the proper use of the valuation report; the valuation conclusion shall not be regarded as the price guarantee for the realization of the valuation purpose, and the asset appraisers do not assume responsibility for the decision of the relevant parties.

**(XVI) Explanation on land idle due to high voltage lines**

In the inventories of the valuation object, except for the grant contract in relation to the land parcel GK2015-38 signed on 17 May 2016, and the supplementary contract in relation to the right to use state-owned construction land signed on 29 August 2022, as of the appraisal reference date, the development had not started for the remaining three land parcels (the grant contracts were signed for the land parcels GK2015-36 and GK2015-36 on 17 May 2016 and a grant contract was signed for the land parcel GK2016-29 on 27 February 2018), and the relevant expenses caused by idle land were considered in the valuation.

**(XVII) Other matters to be noted**

1. The report conclusion is drawn based on the bases, assumptions, methods and procedures of appraisal. Therefore, the conclusion shall be effective only when the bases, assumptions, methods and procedures of appraisal remain unchanged.
2. The issued valuation report and the valuation conclusion disclosed therein are limited to the valuation purpose as stated in the valuation report only, and are effective for use during the effective period of the valuation conclusion. We are not responsible for any consequences arising from any misuse thereof.

Users of the valuation reports should pay attention to the impact of the above special matters on the valuation conclusion.

## **6. DATE OF BUSINESS VALUATION REPORT**

The date of the Business Valuation Report is 21 December 2023. The conclusion of this report is valid for one year from the appraisal reference date, i.e. from 30 September 2023 to 29 September 2024.

## **7. VALUATION REPORT OF JINZHONG XIYA**

### **7.1 Description of Valuation Objects and Valuation Scope**

#### **7.1.1 Distribution and Characteristics of Main Assets**

The main assets include current assets and fixed assets.

Current assets include monetary funds, accounts receivable, prepayments, other receivables, inventories and other current assets

Inventories mainly consist of product development.

Product development mainly includes 2 unsold or returned residential commodity apartments, 1 shop and 337 underground parking spaces in the “Agile • Xiyuan” community that have been developed and completed by Jinzhong Xiya.

The “Agile • Xiyuan” community project is located at No. 306, Huitong North Road, Yuci District, Jinzhong City. The land uses are urban residential land and other commercial land, with a total land area of 20,568.76m<sup>2</sup> (30.85 Mu). The sales as of the appraisal reference date are as shown in the following table:

**Sales of Agile • Xiyuan Community**

*Unit: m<sup>2</sup>*

Type	Total available for sale		Sold		Remaining	
	Number of housings	Area available for sale	Number of housings	Area sold	Number of housings	Remaining area
Ordinary residential housing	444	53,015	442	52,778.71	2	236.29
Shop	20	1,136.02	19	1,807	1	49.02
Underground parking spaces (number)	410		73		337	

The remaining 2 unsold residential housings in the valuation have a total GFA of 236.29m<sup>2</sup>, and have been granted the real estate title certificates, with a carrying value of RMB1,269,159.98; one unsold shop has a GFA of 49.02m<sup>2</sup> and a carrying value of RMB391,130.29; 337 underground parking spaces have a carrying value of RMB19,359,847.01.

## 7.2 Technical Description of Valuation with Asset-based Approach

### 7.2.1 Technical Description of Valuation of Current Assets

#### 7.2.1.1 Scope of valuation

Current assets included in the scope of valuation include: monetary funds, prepayments, other receivables, inventories and other current assets. The carrying value of the abovementioned current assets on the appraisal reference date is as shown in the following table:

*Unit: RMB*

<b>Item</b>	<b>Carrying value</b>
Monetary funds	1,755,511.71
Accounts receivable	26,747.00
Prepayments	267,303.05
Other receivables	166,329,672.31
Inventories	21,020,137.28
Other current assets	1,733,665.88
<b>Total current assets</b>	<b>191,133,037.23</b>

#### 7.2.1.2 Valuation verification process

1. Checking accounts: According to the valuation declaration detailed form of current assets provided by the valued unit, the appraisers first checked with the corresponding accounts of the valued unit's balance sheet to make the total amount consistent; then checked with the valued unit's detailed accounts of current assets and ledger to make the detailed amounts and contents consistent; and finally checked the original accounting vouchers for some current assets.
2. Data collection: In accordance with the principle of importance and the typical characteristics of various types of current assets, the appraisers collected bank statements and accounting vouchers as of the appraisal reference date, and conducted valuation procedures such as external confirmations.

3. On-site interview: The appraisers asked relevant personnel of the valued unit about important customer composition and credit status, collection of accounts receivable in historical years, and the policy on provision for bad debts, etc.
4. Valuation and estimation: Valuation and estimation were made on the basis of clear accounting verification, clear understanding of the situation, and collection of information required for valuation.

### *7.2.1.3 Valuation approach*

The valuation approach in respect of the major assets of Jinzhong Xiya, being the inventories and other receivables, are as follows:

#### *(A) Other receivables*

The audited carrying value of other receivables as at the appraisal reference date is RMB166,329,672.31. The accounting contents include various other receivables and temporary payments of the valued unit except accounts receivable and prepayments.

During the inspection, the appraisers first checked whether the detailed accounts were consistent with the general ledger and statement balances as well as the asset valuation schedule, checked accounting records such as payment amount, occurrence time, business contents, etc., and analyzed the aging of the accounts. Secondly, based on the principle of importance, the amount test was conducted on accounts with large amounts and long aging to verify the authenticity and completeness of other receivables. On the basis of verification, the amount that may be recovered for each payment was determined. Based on the above, the appraised value was determined based on the carrying value.

The appraised value of other receivables is RMB166,329,672.31.

#### *(B) Inventories — product development*

The inventories included in the valuation scope are mainly product development, including unsold residential housings, shops and underground parking spaces, with a total carrying value of RMB21,020,137.28.

## 1. Overview of product development

Product development mainly includes 2 unsold or returned residential commodity apartments, 1 shop and 337 underground parking spaces in the “Agile • Xiyuan” community that have been developed and completed by Jinzhong Xiya Real Estate Development Co., Ltd.

The “Agile • Xiyuan” community project is located at No. 306, Huitong North Road, Yuci District, Jinzhong City. The land uses are urban residential land and other commercial land, with a total land area of 20,568.76m<sup>2</sup> (30.85 Mu). The sales as of the appraisal reference date are as shown in the following table:

## Sales of Agile • Xiyuan Community

*Unit: m<sup>2</sup>*

Type	Total available for sale		Sold		Remaining	
	Number of housings	Area available for sale	Number of housings	Area sold	Number of housings	Remaining area
Ordinary residential housing	444	53,015	442	52,778.71	2	236.29
Shop	20	1,136.02	19	1,807	1	49.02
Underground parking spaces (number)	410		73		337	

The remaining 2 unsold residential housings in the valuation have a total GFA of 236.29m<sup>2</sup>, and have been granted the real estate title certificates, with a carrying value of RMB1,269,159.98; one unsold shop has a GFA of 49.02m<sup>2</sup> and a carrying value of RMB391,130.29; 337 underground parking spaces have a carrying value of RMB19,359,847.01.

## 2. Valuation process

The valuation was mainly carried out in the following stages:

### i. Review of asset valuation schedule

The appraisers listened to the introduction of the enterprise's valuation scope, verified the title status, acquisition time, planned utilization conditions, development level and payment status of land price and project payment of the development project, and completed the valuation form on this basis.

### ii. Collection of information

The appraisers collected various project development documents, land transfer contracts, "State-owned Land Use Certificate", "Construction Project Planning Permit", "Construction Project Construction Permit", "Commercial Housing Sales Permit", "Real Estate Title Certificate", project completion filing confirmation or the "Table of Real Estate Area Calculation Results", project contract ledger, sales ledger, and various historical data of the project and other relevant information used for registration of real estate ownership.

### iii. Site survey

According to the valuation declaration form provided by the enterprise and with the cooperation of relevant personnel, the appraisers conducted survey and investigation on the project's location, development level, investment, surrounding supporting facilities, sales and sales price of surrounding properties, and kept survey records. Based on the information provided by the enterprise, the appraisers confirmed the product development schedule within the scope of valuation, conducted inspection based on the confirmed product development schedule, and finally determined the scope of valuation according to the verified product development schedule.

### iv. Valuation and calculation

Based on the on-site survey results, the appraisers conducted survey and analysis on the inventories — product development, determined various valuation elements, and used appropriate valuation methods based on the specific circumstances of the assets to calculate the appraised value of assets and prepared an asset valuation description.

### 3. Valuation approach

#### i. Valuation of residential housings

The major valuation approaches for real estate include market comparison approach (i.e. market approach), income approach, cost approach, and hypothetical development approach, etc. Following the principles of objectivity, independence and impartiality, the market approach is selected for the residential housings in accordance with the Code for Real Estate Appraisal (房地產估價規範), the development condition of the local property market as well as the specific characteristics of the valuation object and the purpose of the valuation.

Market comparison approach is an approach to evaluate the value or price of a valuation object through processing the transaction price of comparable cases based on the differences between them after selecting a certain number of comparable cases for the valuation object.

#### A. Valuation and calculation of Room 2403, 24/F, Building 1 of Agile Xiyuan

In the recent real estate market, we selected the existing real estate transactions which are highly correlated and replaceable with the valuation object, all with the same entitlement status and within the same parameters of supply and demand, with those factors affecting the real estate market, such as the locations, features, transaction dates and transaction status all taken into account while making our analysis, comparison and correction based on their actual circumstances, so as to arrive at a reasonable market price of the valuation object.

##### (1) Selection of comparables

Through market research and inquiries with the competent authorities, we have chosen a non-exhaustive list of transaction subjects in accordance with the Asset Valuation Standards and Code for Real Estate Appraisal, that:

1. Comparables shall be selected from transaction instances and not less than three;
2. Comparables should be traded in a manner suitable for valuation purposes;
3. The real estate in comparables should be similar to the real estate in the valuation object;
4. The transaction date of the comparables should be close to the valuation date, and the time interval between the dates is not suitable to be more than one year and should not exceed two years;

5. The transaction price of the comparables should be the normal price or can be corrected to the normal price;
6. Under the same conditions, the transaction instances with location, transaction date and valuation date close to the valuation object should be selected as the comparables.

Based on the above provisions, we narrowed down the group of transaction subjects to the three comparables in line with our preset requirements, i.e. similar location (or in the same supply and demand circle), same entitlement status, same purpose, same transaction type and similar valuation date. In particular, the comparables selected are (1) of same purpose being residential housings; (2) situated within the scope of Yuci Economic Development Zone, Jinzhong City; (3) with reinforced concrete structure; (4) with good to average decoration condition, traffic conditions, environment, floor pattern and property management service; (5) complete infrastructure; (6) relatively complete public facilities; and (7) with transaction dates close to the appraisal reference date, i.e. 30 September 2023.

Details of the comparables are as follows:

- Case A: A residential housing in Phase III of Xinxing Cultural and Education City, which is on the 2nd of the 12 floors, with a GFA of 218 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2006, and sold at RMB6,453/m<sup>2</sup> in 2023;
- Case B: A residential housing in Chenxing Yijun, which is on the 8th of the 10 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2019, and sold at RMB7,212/m<sup>2</sup> in 2023;
- Case C: A residential housing in Agile Xiyuan, which is on the 12th of the 24 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, average decoration condition, completed and delivered in 2020, and sold at RMB7,500/m<sup>2</sup> in 2023.

Table of comparative factors and conditions for comparables

Cases	Valuation object	Case A	Case B	Case C
Name of Complex	Agile Xiyuan	Phase III of Xinxing Cultural and Education City	Chenxing Yijun	Agile Xiyuan
Year of Transaction	—	2023	2023	2023
Transaction price (RMB/m <sup>2</sup> )	—	6,453	7,212	7,500
Purpose	Residential	Residential	Residential	Residential
Structure	Reinforced concrete	Reinforced concrete	Reinforced concrete	Reinforced concrete
Area (m <sup>2</sup> )	103.41	218	104	104
Decoration condition	Decent	Average	Decent	Decent
Orientation	North and South	North and South	North and South	North and South
Floor	24/24	2/12	8/10	12/24
Year of completion	2020	2006	2019	2020
Traffic conditions	Good	Good	Good	Good
Environment	Good	Average	Good	Good
Infrastructure	Complete	Complete	Complete	Complete
Public facilities	Relatively complete	Relatively complete	Relatively complete	Relatively complete
Floor pattern	Good	Good	Good	Good
Property management service	Good	Good	Good	Good

## (2) Correction of comparables

## ① Correction of transaction conditions

Comparables A, B and C are all normal market transactions, hence the correction coefficient for transaction conditions of 100/100 for all.

## ② Correction of transaction date

As the transaction dates of comparables A, B and C are close to the valuation date, and the prices of such type of properties are relatively stable within the same supply and demand circle, the correction coefficient for transaction date is 100/100 as well.

## ③ Equity adjustment

As the equity status of the valuation object is basically the same as that of comparables A, B, and C, the equity adjustment coefficients are 100/100.

## ④ Adjustment of location factors

**Table of correction coefficients for location factors**

Comparables Comparative factors	Traffic conditions	Surrounding environment	Public supporting facilities	Infrastructure	Floor	Orientation	Sub-total
Case A	0	-2	0	0	-2	0	-4
Case B	0	0	0	0	+2	0	+2
Case C	0	0	0	0	+4	0	+4

## ⑤ Adjustment of physical conditions

Table of physical conditions adjustment coefficients

Comparables Comparative factors	Decoration	Year of completion	GFA	Floor pattern	Property management service	Sub-total
Case A	-3	-4	-5	0	0	-12
Case B	0	0	0	0	0	0
Case C	0	0	0	0	0	0

## (3) Comparison correction

Table of comparison correction

Comparables	Unit price (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Adjustment coefficient for location factors	Adjustment coefficient for physical factors	Equity adjustment coefficient	Unit price after correction (RMB/m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )
Case A	6,453	100/100	100/100	100/96	100/88	100/100	7,638	7,310
Case B	7,212	100/100	100/100	100/102	100/100	100/100	7,071	
Case C	7,500	100/100	100/100	100/104	100/100	100/100	7,212	

Notes: ① Unit price after correction = transaction price of object of comparison × correction coefficient for transaction conditions × correction coefficient for transaction date × adjustment coefficient for location factors × adjustment coefficient for condition factors × Equity adjustment coefficient;

② Appraised unit price is the arithmetic average of the three unit prices after correction, with the calculation results accurate to 2 decimal places.

## (4) Determination of the value of the valuation object

$$\begin{aligned}
 \text{Total value of real estate} &= \text{Appraised unit price} \times \text{GFA} \\
 &= 7,310 \times 103.41 \\
 &\approx 755,927 \text{ (RMB)}
 \end{aligned}$$

B. Valuation and calculation of Room 701, 7/F, Building 1 of Agile Xiyuan

In the recent real estate market, we selected the existing real estate transactions which are highly correlated and replaceable with the valuation object, all with the same entitlement status and within the same parameters of supply and demand, with those factors affecting the real estate market, such as the locations, features, transaction dates and transaction status all taken into account while making our analysis, comparison and correction based on their actual circumstances, so as to arrive at a reasonable market price of the valuation object.

(1) Selection of comparables

Through market research and inquiries with the competent authorities, we have chosen a non-exhaustive list of transaction subjects in accordance with the Asset Valuation Standards and Code for Real Estate Appraisal, that:

1. Comparables shall be selected from transaction instances and not less than three;
2. Comparables should be traded in a manner suitable for valuation purposes;
3. The real estate in comparables should be similar to the real estate in the valuation object;
4. The transaction date of the comparables should be close to the valuation date, and the time interval between the dates is not suitable to be more than one year and should not exceed two years;
5. The transaction price of the comparables should be the normal price or can be corrected to the normal price;
6. Under the same conditions, the transaction instances with location, transaction date and valuation date close to the valuation object should be selected as the comparables.

Based on the above provisions, we narrowed down the group of transaction subjects to the three comparables in line with our preset requirements, i.e. similar location (or in the same supply and demand circle), same entitlement status, same purpose, same transaction type and similar valuation date. In particular, the comparables selected are (1) of same purpose being residential housings; (2) situated within the scope of Yuci Economic Development Zone, Jinzhong City; (3) with reinforced concrete structure; (4) with good to average decoration condition, traffic conditions, environment, floor pattern and property management service; (5) complete infrastructure; (6) relatively complete public facilities; and (7) with transaction dates close to the appraisal reference date, i.e. 30 September 2023.

Details of the comparables are as follows:

Case A: A residential housing in Phase III of Xinxing Cultural and Education City, which is on the 2nd of the 12 floors, with a GFA of 218 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2006, and sold at RMB6,453/m<sup>2</sup> in 2023;

Case B: A residential housing in Chenxing Yijun, which is on the 8th of the 10 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, decent decoration condition, completed and delivered in 2019, and sold at RMB7,212/m<sup>2</sup> in 2023;

Case C: A residential housing in Agile Xiyuan, which is on the 12th of the 24 floors, with a GFA of 104 m<sup>2</sup>, mixed structure, north-south orientation, average decoration condition, completed and delivered in 2020, and sold at RMB7,500/m<sup>2</sup> in 2023.

**Table of comparative factors and conditions for comparables**

Cases	Valuation object	Case A	Case B	Case C
Name of Complex	Agile Xiyuan	Phase III of Xinxing Cultural and Education City	Chenxing Yijun	Agile Xiyuan
Year of Transaction	—	2023	2023	2023
Transaction price (RMB/m <sup>2</sup> )	—	6,453	7,212	7,500
Purpose	Residential	Residential	Residential	Residential
Structure	Reinforced concrete	Reinforced concrete	Reinforced concrete	Reinforced concrete
Area (m <sup>2</sup> )	132.88	218	104	104
Decoration condition	Decent	Average	Decent	Decent
Orientation	North and South	North and South	North and South	North and South
Floor	7/24	2/12	8/10	12/24
Year of completion	2020	2006	2019	2020
Traffic conditions	Good	Good	Good	Good
Environment	Good	Average	Good	Good

Cases	Valuation object	Case A	Case B	Case C
Infrastructure	Complete	Complete	Complete	Complete
Public facilities	Relatively complete	Relatively complete	Relatively complete	Relatively complete
Floor pattern	Good	Good	Good	Good
Property management service	Good	Good	Good	Good

## (2) Correction of comparables

## ① Correction of transaction conditions

Comparables A, B and C are all normal market transactions, hence the correction coefficient for transaction conditions of 100/100 for all.

## ② Correction of transaction date

As the transaction dates of comparables A, B and C are close to the valuation date, and the prices of such type of properties are relatively stable within the same supply and demand circle, the correction coefficient for transaction date is 100/100 as well.

## ③ Equity adjustment

As the equity status of the valuation object is basically the same as that of comparables A, B, and C, the equity adjustment coefficients are 100/100.

## ④ Adjustment of location factors

**Table of correction coefficients for location factors**

Comparables Comparative factors	Traffic conditions	Surrounding environment	Public supporting facilities	Infrastructure	Floor	Orientation	Sub-total
Case A	0	-2	0	0	-3.5	0	-5.5
Case B	0	0	0	0	-0.5	0	-0.5
Case C	0	0	0	0	+2.5	0	+2.5

## ⑤ Adjustment of physical conditions

Table of physical conditions adjustment coefficients

Comparables Comparative factors	Decoration	Year of completion	GFA	Floor pattern	Property management service	Sub-total
Case A	-3	-4	-4	0	0	-11
Case B	0	0	+1	0	0	+1
Case C	0	0	+1	0	0	+1

## (3) Comparison correction

Table of comparison correction

Comparables	Unit price (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Adjustment coefficient for location factors	Adjustment coefficient for physical factors	Equity adjustment coefficient	Unit price after correction (RMB/m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )
Case A	6,453	100/100	100/100	100/94.5	100/89	100/100	7,673	7,360
Case B	7,212	100/100	100/100	100/99.5	100/101	100/100	7,176	
Case C	7,500	100/100	100/100	100/102.5	100/101	100/100	7,245	

Notes: ① Unit price after correction= transaction price of object of comparison × correction coefficient for transaction conditions × correction coefficient for transaction date × adjustment coefficient for location factors × adjustment coefficient for condition factors × Equity adjustment coefficient;

② Appraised unit price is the arithmetic average of the three unit prices after correction, with the calculation results accurate to 2 decimal places.

## (4) Determination of the value of the valuation object

$$\begin{aligned}
 \text{Total value of real estate} &= \text{Appraised unit price} \times \text{GFA} \\
 &= 7,360 \times 132.88 \\
 &\approx 977,997 \text{ (RMB)}
 \end{aligned}$$

Through calculation, the appraised value of the two residential housing is as follows:

No.	Valuation object	GFA (m <sup>2</sup> )	Appraised unit price (RMB/m <sup>2</sup> )	Total appraised value (RMB)	Price exclusive of tax (RMB)
1	Room 2403, 24/F, Building 1, Agile Xiyuan	103.41	7,310	755,927	693,511
2	Room 701, 7/F, Building 1, Agile Xiyuan	132.88	7,360	977,997	897,245
Total		236.29		1,733,924	1,590,756

Note: The value-added tax rate is 9%.

## ii. Valuation of shop

The shop subject to valuation is Room 107, 1/F, Building 6, Yajule Xiyuan. The calculation process is as follows:

### (1) Calculation of annual net income A

Most of the shops similar to the valuation object are mainly operated for rent, so the annual net income of the shop subject to valuation is calculated based on the rent income.

#### 1) Calculation of objective daily rent

The valuation object is a shop. The appraisers conducted a survey on the property leasing market of the same type in the location where the valuation object is located, and selected recent real estate rental cases that are similar to the valuation object in use, scale, and grade and are relevant and alternative. Based on the conditions of the valuation object and comparables, the appraisers analyzes, compared and corrected the factors that affect the rent in the real estate market, such as location factors, physical factors, transaction date and transaction conditions, to obtain the objective average daily rent of the valuation object.

#### A. Selection of comparables

Through market research, we selected three comparables similar to the valuation object, and based on the principle of replaceability, in accordance with the requirements of similar location (or in the same supply and demand circle), same purpose, same transaction type and similar valuation

date. The comparables selected in the valuation are (1) located at the 1st floor of Agile Xiyuan Community facing the street and in the same community as the valuation object; (2) are all rental cases in 2023 with the dates close to the appraisal reference date, i.e. 30 September 2023; (3) are of commercial purpose; (4) are of decent decoration condition; (5) with relatively complete infrastructure and public facilities; and (6) good property management service. Details are as follows:

Case A: a shop on the 1st floor of Agile Xiyuan Community facing the street and adjacent to the gate of the community, with a GFA of approximately 50m<sup>2</sup>, and the daily rent is RMB1.64/m<sup>2</sup>.

Case B: a shop on the 1st floor of Agile Xiyuan Community facing the street and at the south side of the gate of the community, with a GFA of approximately 40m<sup>2</sup>, and the daily rent is RMB1.50/m<sup>2</sup>.

Case C: a shop on the 1st floor of Agile Xiyuan Community facing the street and adjacent to the parking lot, with a GFA of approximately 40m<sup>2</sup>, and the daily rent is RMB1.25/m<sup>2</sup>.

**Table of comparative factors and conditions for comparables**

Cases	Valuation object	Case A	Case B	Case C
Project name	Agile Xiyuan	Agile Xiyuan	Agile Xiyuan	Agile Xiyuan
Daily rent (RMB/m <sup>2</sup> )	—	1.64	1.5	1.25
Purpose	Commercial	Commercial	Commercial	Commercial
Floor	1st floor	1st floor	1st floor	1st floor
Decoration condition	Decent	Decent	Decent	Decent
Location	North side of the gate (general)	Close to the gate (good)	South side of the gate (general)	Close to the parking lot (poor)
Infrastructure	Relatively complete	Relatively complete	Relatively complete	Relatively complete
Public facilities	Relatively complete	Relatively complete	Relatively complete	Relatively complete
Frontage road condition	Road on one side	Road on one side	Road on one side	Road on one side
GFA (m <sup>2</sup> )	49.02	50	40	40
Functional layout	General	Good	Good	Good
Property management service	Good	Good	Good	Good
Lease date (year)	—	2023	2023	2023

## B. Correction of comparables

## ① Correction of transaction conditions

Comparables A, B and C are all normal market transactions, hence the correction coefficient for transaction conditions of 100/100 for all.

## ② Correction of transaction date

As the transaction dates of comparables A, B and C are close to the valuation date, and the prices of such type of properties are relatively stable within the same supply and demand circle, the correction coefficient for transaction date is 100/100 as well.

## ③ Adjustment of location factors

**Table of adjustment coefficients for location factors**

Comparables Comparative factors	Frontage road condition	Public supporting facilities	Infrastructure	Location	Floor	Sub-total
Case A	0	0	0	+10	0	+10
Case B	0	0	0	+5	0	+5
Case C	0	0	0	0	0	0

## ④ Adjustment of physical conditions

**Table of adjustment coefficients for physical conditions**

Comparables Comparative factors	Functional layout	Facilities and equipment	Property management service	Decoration	GFA	Sub-total
Case A	0	0	0	0	0	0
Case B	0	0	0	0	0	0
Case C	0	0	0	0	0	0

## C. Comparison correction

Table of comparison correction

Comparables	Daily rent (RMB/m <sup>2</sup> )	Correction coefficient for transaction conditions	Correction coefficient for transaction date	Adjustment coefficient for location factors	Adjustment coefficient for physical factors	Unit price after correction (RMB/m <sup>2</sup> )	Appraised value of daily rent (RMB/m <sup>2</sup> )
Case A	1.64	100/100	100/100	100/110	100/100	1.49	1.4
Case B	1.50	100/100	100/100	100/105	100/100	1.43	
Case C	1.25	100/100	100/100	100/100	100/100	1.25	

Notes: ① Unit price after correction= lease price of comparables × correction coefficient for transaction conditions × correction coefficient for transaction date × adjustment coefficient for location factors × adjustment coefficient for physical factors

② Appraised unit price is the arithmetic average of the three unit prices after correction, with the calculation results accurate to 1 decimal place.

## 2) Calculation of annual net income of the valuation object

Through the above calculation process, the objective daily rental income of the valuation object is determined to be RMB1.4/m<sup>2</sup>. Based on market survey, the appraisers further understood that the annual vacancy rate of the same type of real estate in the region where the valuation object is located ranges from 5% to 12%. Taking into account the geographical location of the valuation object and other actual conditions, the median vacancy rate of the valuation object is 8% (calculated based on 365 days in a year).

$$\begin{aligned}
 \text{Annual net income A} &= \text{net rent} \times (1 - \text{vacancy rate}) \times 365 \\
 &= 1.4 \times (1 - 8\%) \times 365 \\
 &\approx 470 \text{ (RMB/m}^2\text{)}
 \end{aligned}$$

Through investigation, the appraisers understood that the rent constitutes the majority of operating income of real estate similar to the valuation object, so the annual net income of the valuation object is RMB470/m<sup>2</sup>.

Based on the investigation, it has been determined that lease income for real estate typically occurs at the beginning of the lease term. However, the income approach formula for capitalizing returns assumes that the net income of future periods will occur at the end of the lease term, rather

than the appraisal reference date. In this case, the comparable examples all have lease income at the beginning of the lease term. Therefore, the net income needs to be adjusted using the following formula: End of A = Beginning of A (1+Y).

Then the valuation object: End of A = Beginning of A (1+Y) = 3,240 x (1+Y).

(2) Determination of the return rate (Y)

The return rate of real estate essentially represents the earnings yield of real estate investment assets. According to the Real Estate Valuation Regulations, the return rate can be determined using the safe rate plus the risk-adjusted value method. The safe interest rate can be selected from the annual interest rate of one-year treasury bonds or the annual interest rate of one-year fixed-term lump-sum deposits published by the People's Bank of China. The risk-adjusted value should be determined based on the current economic situation, future forecasts of the region where the valuation object is located, as well as the usage and age of the valuation object. In line with the principle of the safe interest rate plus risk adjustment, we have selected the one-year deposit rate of 1.5% published by the People's Bank of China on 24 October 2015, as the safe rate. Considering the social, political, economic, and environmental factors that impact the value of real estate in the region where the valuation object is located on the appraisal reference date, we have chosen 6.0% as the risk-adjusted value, resulting in a return rate (Y) of 7.5%.

(3) Determination of the income-generating years (n)

The valuation object was constructed in 2021, and its reinforced concrete structure has a durability of 60 years. As of the reference date, the valuation object has been in use for 2 years. Therefore, the remaining useful life of the building is 58 years. According to the information provided by the client, the remaining term of the land use right as of the appraisal reference date is 34.62 years. Applying the principle of the shorter term, the determined income-generating years is 34.62 years.

(4) Determination of net income incremental rate (g)

Taking into account the correlation between the increase in rental prices and inflation, and with reference to the latest CPI published by the National Bureau of Statistics of China, the net income incremental rate of the valuation object has been determined to be 2.0% per annum, which was made after a comprehensive analysis conducted by the appraisers, considering the economic conditions of the region where the valuation object is located, the rental market conditions of similar properties, and the specific circumstances of the valuation object.

(5) Determination of value of the shops of the valuation object

$$V = \frac{A}{Y - g} \left[ 1 - \left( \frac{1+g}{1+Y} \right)^n \right]$$

$$= \frac{470 \times (1 + 7.5\%)}{7.5\% - 2.0\%} \left[ 1 - \left( \frac{1 + 2.0\%}{1 + 7.5\%} \right)^{34.62} \right]$$

$$\approx 7,700 \text{ (RMB/m}^2\text{)}$$

$$\begin{aligned} \text{Total price} &= \text{unit price} \times \text{gross floor area} \\ &= 7,700 \times 49.02 \\ &\approx 377,454 \end{aligned}$$

The market value of the shop located at Room 107, 1/F, Building 6 is RMB377,454, and RMB346,288 exclusive of tax (9% VAT rate).

iii. Evaluation of right-of-use of underground parking spaces

The underground parking spaces of the valuation object comprise 337 underground parking lots, which are not available for sales since they have yet not been issued the certificates of title. Through investigation, it is understood that the underground the valuation object can obtain income from those parking spaces by leasing them out, so the income approach is selected to evaluate the value of the right-of-use of the underground parking spaces.

Generally, the value of the right-of-use varies slightly depending on the location of the parking spaces. Based on the purpose of valuation, the average value of the right-of-use of parking spaces is calculated using the income approach in this valuation.

(1) Calculation of the average annual net income per parking space

Through the investigation, we have learned that the underground parking spaces in the valuation object can be rented out to generate income. They are typically classified into long-term rentals (with a maximum rental period of 20years) and short-term rentals (on an annual basis). For the purpose of valuation, the rental incois considered on an annual basis.

According to the market survey conducted by the appraisers, the monthly rental for underground parking spaces in the area of the valuation object ranges from RMB250/month to RMB350/month. Considering the specific circumstances of the valuation object, the average

monthly rental income for the parking spaces is determined to be RMB300/month, resulting in an annual rental income of RMB3,600. It is also understood that the annual vacancy rate for parking spaces of the same type in the area of the valuation object is approximately 10%.

$$\begin{aligned}\text{Annual Net Income A} &= \text{Annual Rent} \times (1 - \text{Vacancy Rate}) \\ &= 3,600 \times (1 - 10\%) \\ &\approx 3,240 (\text{RMB})\end{aligned}$$

Based on the investigation, it has been determined that lease income for real estate typically occurs at the beginning of the lease term. However, the income approach formula for capitalizing returns assumes that the net income of future periods will occur at the end of the lease term, rather than the appraisal reference date. In this case, the comparable examples all have lease income at the beginning of the lease term. Therefore, the net income needs to be adjusted using the following formula: End of A = Beginning of A (1+Y).

Then the valuation object: End of A = Beginning of A (1+Y) = 3,240 x (1+Y).

(2) Determination of the return rate (Y)

The return rate of real estate essentially represents the earnings yield of real estate investment assets. According to the Real Estate Valuation Regulations, the return rate can be determined using the safe rate plus the risk-adjusted value method. The safe interest rate can be selected from the annual interest rate of one-year treasury bonds or the annual interest rate of one-year fixed-term lump-sum deposits published by the People's Bank of China. The risk-adjusted value should be determined based on the current economic situation, future forecasts of the region where the valuation object is located, as well as the usage and age of the valuation object. In line with the principle of the safe interest rate plus risk adjustment, we have selected the one-year deposit rate of 1.5% published by the People's Bank of China on 24 October 2015, as the safe rate. Considering the social, political, economic, and environmental factors that impact the value of real estate in the region where the valuation object is located on the appraisal reference date, we have chosen 6.0% as the risk-adjusted value, resulting in a return rate (Y) of 7.5%.

(3) Determination of the income-generating years (n)

The valuation object was constructed in 2021, and its reinforced concrete structure has a durability of 60 years. As of the reference date, the valuation object has been in use for 2 years. Therefore, the remaining useful life of the building is 58 years. According to the information provided by the client, the remaining term of the land use right as of the appraisal reference date is 63.13 years. Applying the principle of the shorter term, the determined income-generating years is 58 years.

## (4) Determination of net income incremental rate (g)

Taking into account the correlation between the increase in rental prices and inflation, and with reference to the latest CPI published by the National Bureau of Statistics of China, the net income incremental rate of the valuation object has been determined to be 2.0% per annum, which was made after a comprehensive analysis conducted by the appraisers, considering the economic conditions of the region where the valuation object is located, the rental market conditions of similar properties, and the specific circumstances of the valuation object.

## (5) Determination of the value of a parking space

$$V = \frac{A}{Y - g} \left[ 1 - \left( \frac{1+g}{1+Y} \right)^n \right]$$

$$= \frac{470 \times (1 + 7.5\%)}{7.5\% - 2.0\%} \left[ 1 - \left( \frac{1 + 2.0\%}{1 + 7.5\%} \right)^{34.62} \right]$$

$$\approx 60,316 \text{ (RMB)}$$

As this valuation is based on the average price of all the parking spaces, it has been rounded to the nearest RMB603,000,000, following the practice of leasing and selling parking spaces.

## 6. Determination of the total value of the use rights for all inventory parking spaces

$$60,300 \times 337 = 20,321,100 \text{ (RMB)}$$

Value exclusive of tax was RMB18,643,211 (VAT 9%)

## iv. Determination of total values of inventories-development products

The valuation results for inventory — development products, based on market value, should deduct the anticipated value-added tax (9% for output VAT, with a combined rate of approximately 4.30% for output tax minus input tax) and surcharges (12% of the VAT) that are expected to occur during the realization process, as well as the land value-added tax (1.50% for residential and 2.50% for non-residential, excluded based on project specifics), corporate income tax (calculated at an average gross profit of 10%, with a tax rate of 25%), sales management fee (3%), and interest rate (8.5%). The calculation results are summarized in the following table.

No.	Valuation object	Price inclusive of tax (RMB)	Value-added tax (RMB)	Surcharge (RMB)	Land value-added tax (RMB)	Corporate income tax (RMB)	Sales management fee (RMB)	Profits (RMB)	Total appraised value (RMB)
1	Residential housing at Room 2403, 24/F, Building 1, Agile Xiyuan	693,511	32,505	3,901	10,403	17,338	20,805	58,948	582,116
2	Residential housing at Room 701, 7/F, Building 1, Agile Xiyuan	897,245	42,054	5,046	13,459	22,431	26,917	76,266	753,126
3	Shop 107, 1/F, Building 6, Agile Xiyuan	346,288	16,231	1,948	8,657	8,657	10,389	29,434	287,203
4	337 lots	18,643,211	873,807	104,857	466,080	466,080	559,296	1,584,673	15,462,224
<b>Total</b>									<b>17,084,669</b>

## 4. Inventory valuation results and appreciation/depreciation analysis

## (1) Valuation results

**Summary of Inventory Valuation Results***Unit: RMB*

Item	Carrying value	Appraised value	Appreciation/ depreciation	Appreciation rate (%)
Inventories — development products	21,020,137.28	17,084,669.00	-3,935,468.28	-18.72
<b>Total inventories</b>	21,020,137.28	17,084,669.00	-3,935,468.28	-18.72

## (2) Analysis of reasons for appreciation/depreciation

The depreciation of development products is due to the fact that the carrying value reflects the investment cost of the project, and the appraised value is the market fair value, which is the result of the market value of the project deducting subsequent transaction taxes and profits, resulting in the depreciation of such assets.

**7.2.2 Technical Description of Valuation of Liabilities****7.2.2.1 Scope of valuation**

The liabilities included in the scope of the valuation are current liabilities.

Current liabilities include accounts payable, advances from customers, taxes payable, dividends payable and other payables. The carrying value as at the appraisal reference date is shown in the table below:

**Breakdown of Carrying Value of Current Liabilities***Unit: RMB*

Item	Carrying value
Accounts payable	14,542,380.97
Advances from customers	4,343,978.96

Item	Carrying value
Tax payable	6,918,989.15
Dividends payable	68,880,856.55
Other payables	6,362,572.10
<b>Total current liabilities</b>	<b>101,048,777.73</b>

### 7.2.2.2 Verification process

1. Reconciliation of carrying value: the appraisers firstly checked the corresponding items in the balance sheet of the valued entity against the liability valuation declaration statement provided by the valued entity to determine whether the total liabilities stated in these two statements are consistent with each other. Then, the appraisers verified the detailed ledger and ledger of the liabilities of the valued entity against the liability valuation declaration statement to determine whether the breakdown amount and contents stated in these statements are consistent with each other. Finally, according to the principle of materiality, the appraisers checked the original accounting vouchers for large-amount liabilities.
2. Information collection: In accordance with the principle of materiality, the appraisers collected the tax payment certificates as at the appraisal reference date based on the typical characteristics of various liabilities, as well as certain accounting vouchers and other valuation-related information.
3. On-site interviews: The appraisers interviewed the relevant personnel of the valued entity to understand the types of taxes, tax rates and tax systems of the valued entity; and conducted investigations to understand the composition of employees and their remuneration system.

### 7.2.2.3 Valuation approach

#### (A) Accounts payable

The carrying value of accounts payable as at the appraisal reference date was RMB14,542,380.97. The accounting items included payables for construction and materials. This valuation was to verify the authenticity and completeness of the payables by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying amount.

The appraised value of accounts payable was RMB14,542,380.97.

**(B) Advances from customers**

The carrying value of advances from customers as at the appraisal reference date was RMB4,343,978.96. The accounting items are the deposits received in advance, refund payable, and non-refund, etc. of the valued entity. This valuation is to verify the authenticity and completeness of advances from customers by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying amount.

The appraised value of advances from customers was RMB4,343,978.96.

**(C) Taxes payable**

The carrying value of taxes payable as at the appraisal reference date was RMB6,918,989.15. The accounting items are various taxes and fees payable by the valued entity. This valuation is to examine the accounting, provision and payment of various taxes in accordance with the provisions of national tax laws and regulations, and then to determine the appraised value of the estimated tax based on the verified amount.

The appraised value of taxes payable was RMB6,918,989.15.

**(D) Other payables**

The appraised value of other payables as at the appraisal reference date was RMB75,243,428.65. Other payables comprised 25 items, one of which is the dividend payable. The amount of the dividend payable was RMB68,880,856.55. The accounting items are all payables of the valued entity other than accounts payable, advances from customers and taxes payable. This valuation is to verify the authenticity and completeness of other payables by verifying the original vouchers and relevant contracts of each payment, and then to determine the appraised value based on the verified carrying value.

The appraised value of other payables was RMB75,243,428.65, and the appraised value of dividends payable was RMB68,880,856.55.

*7.2.2.4 Valuation results*

The valuation results of current liabilities are as follows:

**Valuation Result of Current Liabilities**

*Unit: RMB*

<b>Item</b>	<b>Carrying value</b>	<b>Appraised value</b>
Accounts payable	14,542,380.97	14,542,380.97
Advances from customers	4,343,978.96	4,343,978.96
Tax payable	6,918,989.15	6,918,989.15
Other payables	75,243,428.65	75,243,428.65
Including: Dividends payable	68,880,856.55	68,880,856.55
<b>Total current liabilities</b>	<b>101,048,777.73</b>	<b>101,048,777.73</b>

**7.3 Valuation Conclusion and Analysis****7.3.1 Valuation Conclusion**

Based on the valuation procedures such as checking and verification, on-site investigation, market survey and confirmation, as well as assessment and estimation, the valuation conclusion arrived at using the asset-based approach is as follows:

As of 30 September 2023, being the appraisal reference date, under the premise of open market and the assumptions and special matters mentioned in this report, the total carrying value of assets of Jinzhong Xiya Real Estate Development Co., Ltd. was RMB1,911,493,909,100, and the appraised value was RMB1,874,179,166,800; the total carrying value of liabilities was RMB101,048,800, and the appraised value was RMB101,048,800; the total carrying value of all shareholders' equity was RMB90,100,600, and the appraised value was RMB86,369,100.

The carrying value of 67% equity interest in Jinzhong Xiya held by Jinzhong Development was RMB60,367,400, and the appraised value was RMB57,867,300.

Details of the valuation conclusion are as follows:

**Summary of Asset Valuation Results**

Appraisal reference date: 30 September 2023

Valued entity: Jinzhong Xiya Real Estate Development Co., Ltd.

Unit: RMB'0,000

Item		Carrying value	Appraised value	Appreciation/ depreciation	Appreciation rate %
		A	B	C = B-A	D = C/A×100%
1	Current assets	19,113.30	18,719.76	-393.54	-2.06
	Including: inventories	21,020.14	17,084.67	-3,935.47	-18.72
2	Non-current assets	1.64	22.03	20.39	1,243.29
	Fixed assets	1.64	22.03	20.39	1,243.29
	<b>Total assets</b>	191,149.39	187,417.92	-3,731.47	-1.95
3	Current liabilities	10,104.88	10,104.88	—	—
	<b>Total liabilities</b>	10,104.88	10,104.88	—	—
	<b>Net assets (owner's equity)</b>	9,010.06	8,636.91	-373.15	-4.14
4	<b>67% shares of Jinzhong Development Zone Real Estate Development Co., Ltd.</b>	6036.74	5786.73	-250.01	

### 7.3.2 Difference between valuation result under the asset-based approach and the carrying value and the reasons for difference

There are the following differences between the valuation result under the above asset-based approach and the verified carrying value:

*Unit: RMB'0,000*

Item	Carrying value	Appraised value	Appreciation/ depreciation value	Appreciation rate
Inventories	21,020.14	17,084.67	-3,935.47	-18.72
Fixed assets	1.64	22.03	20.39	1,243.29

The reasons for appreciation are as follows:

1. The reasons for the appreciation or depreciation of the appraised value of inventories are as follows:

The depreciation of development products is due to the fact that the carrying value reflects the investment cost of the project, and the appraised value is the market fair value, which is the result of the market value of the project deducting subsequent transaction taxes and profits, resulting in the depreciation of such assets.

2. Fixed assets: mainly comprising vehicles and electronic equipment
  - (1) Changes in replacement costs due to fluctuations in market prices and price indices, which in turn affects the value of replacement costs;
  - (2) The difference between the years of depreciation for which the enterprise make provision and the economic life and use of the equipment affects the newness rate, resulting in the net appraised value being greater than the net carrying value.

### 7.3.3 Consideration regarding the impact of control and liquidity on the value of the valuation object

This valuation report neither takes into account the impact of the premium that may arise from the ownership of control on the value of the valuation object, nor does it take into account the impact of equity liquidity on the valuation results.

**Shanxi Jiahao Real Estate Asset Appraisal Co., Ltd\***  
(山西家豪房地產資產評估有限公司)

**Asset appraiser: Bai Yuan**

(Full practicing member

Asset appraiser number: 14210012)

**Asset appraiser: Hou Xingxing**

(Full practicing member

Asset appraiser number: 14230025)

*Note:* Bai Yuan, as a registered asset appraiser, a registered real estate appraiser, a land appraiser and a price appraiser, is a full practicing member of China Appraisal Society (Asset Appraiser No.: 14210012), a member of China Institute of Real Estate Appraisers and Agents, and a member of Shanxi Association of Land Appraisers and Land Registration Agents, and has been engaged in real estate appraisal for 17 years.

Hou Xingxing, as a certified public accountant, a certified asset appraiser and an intermediate accountant, is a full practicing member of China Appraisal Society (Asset Appraiser No.: 14230025).

The appraisal exercise has been conducted independently and without influence from any third party in any manner.

21 December 2023

*The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only.*

**Vincorn Consulting and Appraisal Limited**

Units 1602–4, 16/F  
FWD Financial Centre  
No. 308 Des Voeux Road Central  
Hong Kong



The Board of Directors  
Chen Xing Development Holdings Limited  
Floor 40, Dah Sing Financial Centre,  
248 Queen's Road East,  
Wanchai, Hong Kong

28 March 2024

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Values of the property interests located in The People's Republic of China (“**The PRC**”) to be disposed of by Chen Xing Development Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 December 2023 (the “**Valuation Date**”).

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. 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”.

**VALUATION ASSUMPTIONS**

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 values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

**VALUATION METHODOLOGY**

There are three principal valuation approaches under the HKIS Valuation Standards 2020 and the International Valuation Standards, namely Market Approach, Income Approach and Cost Approach.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property when relevant sale comparables are sufficiently available in the market. Income Approach relies on the rental potential of a property and is usually adopted when there is a lack of relevant sale evidences for an income generating property. Cost Approach/ Asset-based Approach, which bases on an aggregate of the depreciated replacement costs of the existing buildings and the market cost of acquiring the land, is generally applied if the sale evidences and rental potential of a property are not able to be identified.

When valuing the property interests, recent sale comparables relevant in terms of physical and locational attributes were sufficiently available and therefore Market Approach as the most accepted valuation approach has been applied.

Market Approach involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, size and so on.

We have attributed no commercial value to the property interests which are yet to be granted with proper title certificates of building ownership rights as at the Valuation Date.

#### **LAND TENURE AND TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, Shanxi Dingzheng Law Office, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

#### **INFORMATION SOURCES**

We have relied to a considerable extent on information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of information provided to us by the Group which is material to the valuation.

**INSPECTION AND INVESTIGATIONS**

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

**CURRENCY**

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

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,

For and on behalf of

**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**

*BSc(Hons) MBA FHKIS FRICS RPS(GP)*

*MCIREA MHKSI MISCM MHIREA FHKIoD*

*RICS Registered Valuer*

*Registered Real Estate Appraiser & Agent PRC*

*Managing Director*

*Note:*

Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“**Hong Kong**”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 26 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

## VALUATION SUMMARY

## Group 1 — Property Interests for Sale to be disposed of by the Group in The PRC

No.	Property	Market Value as at 31 December 2023	Market Value as at 31 December 2023	
			Interest Attributable to the Group Before Disposal	Interest Attributable to the Group Before Disposal
1	Room 1 on Level 8 of Unit 1 of Block 4, Room 1 on Level 1 of Unit 2 of Block 4 and Room 3 on Level 4 of Unit 2 of Block 6 and a Community Centre and 418 Basement Carparking Spaces of Phase 1 within a Mixed-use Development Namely Yijun Community, North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	2,650,000	51%	1,351,500
2	Unit 701 on Level 7 of Block 2 and 339 Basement Carparking Spaces within a Mixed-use Development Namely Xiyuan Community, No. 306 Huitong North Road, Yuci District, Jinzhong, Shanxi Province, The PRC	1,100,000	33.66%	370,260
Sub-total:		<u>3,750,000</u>		<u>1,721,760</u>

**Group 2 — Property Interests for Future Development Held to be disposed of by the Group in The PRC**

No.	Property	Market Value as at 31 December 2023	Market Value as at 31 December 2023	
			Interest Attributable to the Group Before Disposal	Attributable to the Group Before Disposal
3	A Portion of Phase 1 within a Mixed-use Development Namely Yijun Community, North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	RMB61,700,000	51%	RMB31,467,000
4	Phase 2 within a Mixed-use Development Namely Yijun Community, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	RMB15,400,000	51%	RMB7,854,000
5	Phase 3 within a Mixed-use Development Namely Yijun Community, South of Huazhang Street, East of Guihua East 2nd Road, Yuci District, Jinzhong, Shanxi Province, The PRC	RMB194,000,000	51%	RMB98,940,000
Sub-total:		<u>RMB271,100,000</u>		<u>RMB138,261,000</u>
<b>Total:</b>		<b><u>RMB274,850,000</u></b>		<b><u>RMB139,982,760</u></b>

## VALUATION CERTIFICATE

## Group 1 — Property Interests for Sale to be disposed of by the Group in The PRC

No	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 December 2023										
1	Room 1 on Level 8 of Unit 1 of Block 4, Room 1 on Level 1 of Unit 2 of Block 4 and Room 3 on Level 4 of Unit 2 of Block 6 and a Community Centre and 418 Basement Carparking Spaces of Phase 1 within a Mixed-use Development Namely Yijun Community, North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	<p>The property comprises three residential flats, a community centre and 418 basement carparking spaces within a mixed-use development namely Yijun Community (“Yijun Community”). As per information provided by the Group, it was completed in about 2020.</p> <p>As per information provided by the Group, the property has a total gross floor area (“GFA”) of approximately 17,792.41 square metres (“sq.m.”). The GFA breakdown of the property is listed as below:-</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Three residential flats (known as Room 1 on Level 8 of Unit 1 of Block 4, Room 1 on Level 1 of Unit 2 of Block 4 and Room 3 on Level 4 of Unit 2 of Block 6)</td> <td>320.41</td> </tr> <tr> <td>A community centre</td> <td>832.00</td> </tr> <tr> <td>418 basement carparking spaces</td> <td>16,640.00</td> </tr> <tr> <td><b>Total:</b></td> <td><b>17,792.41</b></td> </tr> </tbody> </table> <p>The land use rights of Phase 1 of Yijun Community were granted for a term expiring on 17 May 2086 for residential uses.</p>	Portion	GFA (sq.m.)	Three residential flats (known as Room 1 on Level 8 of Unit 1 of Block 4, Room 1 on Level 1 of Unit 2 of Block 4 and Room 3 on Level 4 of Unit 2 of Block 6)	320.41	A community centre	832.00	418 basement carparking spaces	16,640.00	<b>Total:</b>	<b>17,792.41</b>	<p>As per our on-site inspection and information provided by the Group, the property is currently available for sale.</p>	<p>RMB2,650,000 (RENMINBI TWO MILLION SIX HUNDRED AND FIFTY THOUSAND)</p> <p>51% Interest Attributable to the Group before Disposal:</p> <p>RMB1,351,500 (RENMINBI ONE MILLION THREE HUNDRED AND FIFTY ONE THOUSAND FIVE HUNDRED)</p>
Portion	GFA (sq.m.)													
Three residential flats (known as Room 1 on Level 8 of Unit 1 of Block 4, Room 1 on Level 1 of Unit 2 of Block 4 and Room 3 on Level 4 of Unit 2 of Block 6)	320.41													
A community centre	832.00													
418 basement carparking spaces	16,640.00													
<b>Total:</b>	<b>17,792.41</b>													

## Notes:

- The property was inspected by Ines Wang *MSc Real Estate Probationer of RICS* on 6 February 2024.

2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM FHKIoD MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MHIREA MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
3. Pursuant to a State-owned Land Use Rights Grant Contract, Jin Zhong Kai Chu Tu (2016) No. 3 dated 17 May 2016 and entered into between Shanxi Province Land and Resources Bureau Jinzhong Economic and Technological Development Zone Land Branch and Jinzhong Development Zone Real Estate Development Co., Limited, the land use rights of Phase 1 of Yijun Community with a site area of 46,762.59 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a term of 70 years for residential uses at a consideration of RMB83,400,000.
4. Pursuant to a State-Owned Land Use Rights Certificate, Jin Kai Guo Yong (2016) Di No. 0207004 dated 1 July 2016 and issued by the People's Government of Jinzhong, the land use rights of Phase 1 of Yijun Community with a site area of 46,762.59 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a term expiring on 17 May 2086 for residential uses.
5. Pursuant to a Construction Project Work Completion Certificate, Jin Kai Jian Jun Bei An (2020) Nian No. 026 dated 20 November 2020 issued by Shanxi Transform Comprehensive Reform Demonstration Zone Jinzhong Development Zone Management Committee, the completion of construction of a portion of Phase 1 of Yijun Community, which the property situated in, was permitted.
6. Pursuant to two Shanxi Province Commodity House Pre-sale Permits, Jin Shang Fang Yu Shou Kai Zi Di Nos. 2019002 and 2019003 dated 11 January 2019 and 1 February 2019 respectively and issued by Shanxi Transform Comprehensive Reform Demonstration Zone Jinzhong Development Zone Management Committee, the pre-sale of Phase 1 of Yijun Community, which the property situated in, was permitted.
7. Pursuant to three Real Estate Title Certificates, and issued by Jinzhong Natural Resources and Planning Bureau, the land use rights and the building ownership right of three residential flats of the property, with a shared site area of approximately 46,762.59 sq.m. and a total GFA of approximately 320.41 sq.m. were legally vested in Jinzhong Development Zone Real Estate Development Co., Limited. The land use rights of the property were granted for a term expiring on 17 May 2086 for residential uses.

The details of the Real Estate Title Certificates are summarized below:

<b>Portion</b>	<b>Certificate No.</b>	<b>Issued Date</b>	<b>GFA (sq.m.)</b>
Room 1 on Level 8 of Unit 1 of Block 4	Jin (2022) Jin Zhong Shi Bu Dong Chan Quan Di No. 0038122	7 July 2022	118.38
Room 1 on Level 1 of Unit 2 of Block 4	Jin (2022) Jin Zhong Shi Bu Dong Chan Quan Di No. 0038106	7 July 2022	115.91
Room 3 on Level 4 of Unit 2 of Block 6	Jin (2022) Jin Zhong Shi Bu Dong Chan Quan Di No. 0077195	9 November 2022	86.12
		<b>Total:</b>	<b>320.41</b>

8. The general description and market information of the property are summarized below:

Location	:	The property is located at North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC.
Transportation	:	Taiyuan Wusu International Airport and Jinzhong Railway Station are located approximately 9.3 kilometres and 6.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Yuci District.

9. We have been provided with a legal opinion regarding the property by Shanxi Dingzheng Law Office, which contains, inter alia, the following:

- a. Jinzhong Development Zone Real Estate Development Co., Limited has obtained the state-owned land use rights of the property and building ownership rights of three residential flats of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
- b. Jinzhong Development Zone Real Estate Development Co., Limited can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property and building ownership rights of three residential flats of the property.
- c. The state-owned land use rights of the property and building ownership rights of three residential flats of the property, are not subject to a mortgage, and are not subject to any dispute or seizure.
- d. The community centre and basement carparking spaces of the property are not eligible to obtain any title certificates of building ownership rights in accordance with relevant local policies and regulations. Therefore, there are no title defect issues in relation to the property.

10. In the course of our valuation of market value of three residential flats of the property, we have considered and analysed relevant residential flat sales comparables.

Considering that the subject valued comprises newly completed residential flats located in Yuci District, we have identified and analysed four residential flat sale comparables with current offerings located in Yuci District and completed within five years from the Valuation Date on an exhaustive basis. Hence the comparables adopted are relevant to the subject valued in terms of property type and location. The comparables adopted are completed within recent years, and thus are subject to similar building conditions as the subject valued. The following table shows the details of four residential flat sale comparables and the adopted adjustments:

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
<b>Development</b>	Yucichengjianyanyuan	Poly•Jinshang	Shiguangyinxiang	Vanke Zijun
District	Yuci District	Yuci District	Yuci District	Yuci District
City	Jinzhong	Jinzhong	Jinzhong	Jinzhong
Year of Completion	2020	2023	2023	2021
Property Type	Residential flat	Residential flat	Residential flat	Residential flat
Unit Size (sq.m.)	130.00	115.00	120.00	139.00
View	City View	City View	City View	City View
Nature	Offer	Offer	Offer	Offer

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
<b>Achievable Unit Rate</b> (RMB/sq.m.)	8,200	9,000	8,150	9,000
<b>Adjustment</b>				
Discount on Offer Price	-3.0%	-3.0%	-3.0%	-3.0%
Location	0.0%	0.0%	0.0%	0.0%
Building Age	0.0%	-1.5%	-1.5%	-0.5%
Size	+0.1%	0.0%	+0.1%	+0.2%
View	0.0%	0.0%	0.0%	0.0%
<b>Adjusted Unit Rate</b> (RMB/sq.m.)	<b>7,964</b>	<b>8,599</b>	<b>7,789</b>	<b>8,699</b>

Adjustments in terms of different aspects, including discount on offer price, location, building age, size and view, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted residential flat sale comparables range from RMB7,789 to RMB8,699 per sq.m. on the basis of gross floor area. The four adjusted unit rates are assigned with the same weight and represent a weighted average of RMB8,270 per sq.m. on the basis of gross floor area. The weighted average unit rate is then multiplied by gross floor area of the total three residential flats of 320.41 sq.m. to derive a result of circa RMB2,650,000 upon rounding.

11. As advised by The PRC legal adviser, the community centre and basement carparking spaces of the property are not eligible to obtain any title certificates of building ownership rights in accordance with relevant local policies and regulations and thus we have attributed no commercial value to the community centre and basement carparking spaces of the property.

No	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 December 2023								
2	Unit 701 on Level 7 of Block 2 and 339 Basement Carparking Spaces within a Mixed-use Development Namely Xiyuan Community, No. 306 Huitong North Road, Yuci District, Jinzhong, Shanxi Province, The PRC	The property comprises of a residential flat known as Unit 701 on Level 7 of Block 2 and 339 basement carparking spaces within a residential and commercial development namely Xiyuan Community (“Xiyuan Community”). As per information provided by the Group, it was completed in about 2020.  As per information provided by the Group, the property has a total GFA of approximately 4,405.20 sq.m. The GFA breakdown of the property is listed as below:-	As per our on-site inspection and information provided by the Group, the property is currently available for sale.	RMB1,100,000 (RENMINBI ONE MILLION ONE HUNDRED THOUSAND)  33.66% Interest Attributable to the Group before Disposal:  RMB370,260 (RENMINBI THREE HUNDRED SEVENTY THOUSAND AND TWO HUNDRED SIXTY)								
		<table border="0"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Unit 701 on Level 7 of Block 2</td> <td>132.88</td> </tr> <tr> <td>339 basement carparking spaces</td> <td>4,272.32</td> </tr> <tr> <td><b>Total:</b></td> <td><b>4,405.20</b></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	Unit 701 on Level 7 of Block 2	132.88	339 basement carparking spaces	4,272.32	<b>Total:</b>	<b>4,405.20</b>		
Portion	GFA (sq.m.)											
Unit 701 on Level 7 of Block 2	132.88											
339 basement carparking spaces	4,272.32											
<b>Total:</b>	<b>4,405.20</b>											

The land use rights of the property were granted for various terms expiring on 14 May 2088 for residential uses and 14 May 2058 for commercial uses.

*Notes:*

- The property was inspected by Ines Wang *MSc Real Estate Probationer of RICS* on 6 February 2024.
- The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM FHKIoD MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MHIREA MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. Pursuant to a State-owned Land Use Rights Grant Contract, Jin Zhong Kai Chu Tu (2018) No. 19 dated 15 May 2018 and entered into between Shanxi Province Land and Resources Bureau Jinzhong Economic and Technological Development Zone Land Branch and Jinzhong Xiya Real Estate Development Co., Ltd., the land use rights of Xiyuan Community, which the property situated in, with a site area of 46,603.34 sq.m. were granted to Jinzhong Xiya Real Estate Development Co., Ltd. for a term of 70 years for residential uses and 40 years for commercial uses at a consideration of RMB195,000,000.
4. Pursuant to a Real Estate Title Certificate, Jin Kai Guo Yong (2019) Di No. 0003913 dated 25 March 2019 and issued by the People's Government of Jinzhong, the land use rights of the property with a site area of 20,568.76 sq.m. were granted to Jinzhong Xiya Real Estate Development Co., Ltd. for various term expiring on 14 May 2088 for residential uses and 14 May 2058 for commercial uses.
5. Pursuant to a Construction Project Work Completion Certificate, Jin Kai Jian Jun Bei An (2020) Nian No. 029 dated 15 December 2020 issued by Shanxi Transform Comprehensive Reform Demonstration Zone Jinzhong Development Zone Management Committee, the completion of construction of Xiyuan Community, which the property situated in, was permitted.
6. Pursuant to a Shanxi Province Commodity House Pre-sale Permit, Jin Shang Fang Yu Shou Kai Zi Di No. 20180010 dated 10 October 2018 and issued by Shanxi Transform Comprehensive Reform Demonstration Zone Jinzhong Development Zone Management Committee, the pre-sale of a portion of Xiyuan Community, which the property situated in, was permitted.
7. Pursuant to a Real Estate Title Certificate, Jin (2021) Jin Zhong Shi Bu Dong Chan Quan Di No. 0049242 dated 30 September 2021 and issued by Jinzhong Natural Resources and Planning Bureau, the land use rights and the building ownership right of a residential flat (known as Unit 701 on Level 7 of Block 2) of the property, with a shared site area of approximately 20,568.76 sq.m. and a total GFA of approximately 132.88 sq.m. were legally vested in Jinzhong Xiya Real Estate Development Co., Ltd. The land use rights of the property were granted for a term expiring on 14 May 2088 for residential uses.
8. The general description and market information of the property are summarized below:

Location	:	The property is located at No. 306 Huitong North Road, Yuci District, Jinzhong, Shanxi Province, The PRC.
Transportation	:	Taiyuan Wusu International Airport and Jinzhong Railway Station are located approximately 13.3 kilometres and 8.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Yuci District.

9. We have been provided with a legal opinion regarding the property by Shanxi Dingzheng Law Office, which contains, inter alia, the following:
- a. Jinzhong Xiya Real Estate Development Co., Ltd. has obtained the state-owned land use rights of the property and building ownership rights of a residential flat of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
  - b. Jinzhong Xiya Real Estate Development Co., Ltd can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property and building ownership rights of a residential flat of the property.
  - c. The state-owned land use rights of the property and building ownership rights of a residential flat of the property, are not subject to a mortgage, and are not subject to any dispute or seizure.
  - d. The basement carparking spaces of the property are not eligible to obtain any title certificates of building ownership rights in accordance with relevant local policies and regulations. Therefore, there are no title defect issues in relation to the property.
10. In the course of our valuation of market value of a residential flat of the property, we have considered and analysed relevant residential flat sales comparables.

Considering that the subject valued comprises a newly completed residential flat located in Yuci District, we have identified and analysed four residential flat sale comparables with current offerings located in Yuci District and completed within five years from the Valuation Date on an exhaustive basis. Hence the comparables adopted are relevant to the subject valued in terms of property type and location. The comparables adopted are completed within recent years, and thus are subject to similar building conditions as the subject valued. The following table shows the details of four residential flat sale comparables and the adopted adjustments:

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
<b>Development</b>	Yucichengjianyanyuan	Poly•Jinshang	Shiguangyinxiang	Vanke Zijun
District	Yuci District	Yuci District	Yuci District	Yuci District
City	Jinzhong	Jinzhong	Jinzhong	Jinzhong
Year of Completion	2020	2023	2023	2021
Property Type	Residential flat	Residential flat	Residential flat	Residential flat
Unit Size (sq.m.)	130.00	115.00	120.00	139.00
View	City View	City View	City View	City View
Nature	Offer	Offer	Offer	Offer
<b>Achievable Unit Rate</b> (RMB/sq.m.)	8,200	9,000	8,150	9,000
<b>Adjustment</b>				
Discount on Offer Price	-3.0%	-3.0%	-3.0%	-3.0%
Location	0.0%	0.0%	0.0%	0.0%
Building Age	0.0%	-1.5%	-1.5%	-0.5%
Size	0.0%	-0.1%	-0.1%	0.0%
View	0.0%	0.0%	0.0%	0.0%
<b>Adjusted Unit Rate</b> (RMB/sq.m.)	<b>7,953</b>	<b>8,587</b>	<b>7,778</b>	<b>8,688</b>

Adjustments in terms of different aspects, including discount on offer price, location, building age, size and view, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted residential flat sale comparables range from RMB7,778 to RMB8,688 per sq.m. on the basis of gross floor area. The four adjusted unit rates are assigned with the same weight and represent a weighted average of RMB8,250 per sq.m. on the basis of gross floor area. The weighted average unit rate is then multiplied by the residential flat's gross floor area of 132.88 sq.m. to derive a result of circa RMB1,100,000 upon rounding.

11. As advised by The PRC legal adviser, the basement carparking spaces of the property are not eligible to obtain any title certificates of building ownership rights in accordance with relevant local policies and regulations and thus we have attributed no commercial value to the basement carparking spaces of the property.

**Group 2 — Property Interests for Future Development to be Disposed of by the Group in The PRC**

No	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 December 2023
3	A Portion of Phase 1 within a Mixed-use Development Namely Yijun Community, North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	<p>The property comprises an undeveloped portion of Phase 1 of Yijun Community.</p> <p>As per information provided by the Group, the property has an apportioned site area and a permissible GFA of approximately 21,108.81 sq.m. and 26,243.00 sq.m. respectively.</p> <p>The land use rights of Phase 1 of Yijun Community were granted for a term expiring on 17 May 2086 for residential uses.</p>	As per our on-site inspection and information provided by the Group, the property is currently vacant.	<p>RMB61,700,000 (RENMINBI SIXTY ONE MILLION AND SEVEN HUNDRED THOUSAND)</p> <p>51% Interest Attributable to the Group before Disposal:</p> <p>RMB31,467,000 (RENMINBI THIRTY ONE MILLION AND FOUR HUNDRED SIXTY SEVEN THOUSAND)</p>

*Notes:*

- The property was inspected by Ines Wang *MSc Real Estate Probationer of RICS* on 6 February 2024.
- The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM FHKIoD MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MHIREA MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, Jin Zhong Kai Chu Tu (2016) No. 3 dated 17 May 2016 and entered into between Shanxi Province Land and Resources Bureau Jinzhong Economic and Technological Development Zone Land Branch and Jinzhong Development Zone Real Estate Development Co., Limited, the land

use rights of Phase 1 of Yijun Community with a site area of 46,762.59 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a term of 70 years for residential uses at a consideration of RMB83,400,000.

The details of the salient conditions of State-owned Land Use Rights Grant Contract are summarized below:

Land Use	:	Residential
Site Area	:	46,762.59 sq.m.
Lot No.	:	GK2015-37
Land Use Rights Term	:	70 years
Permissible Plot Ratio	:	1.8
Maximum Height	:	40 metres
Maximum Site Coverage	:	30%

The above-mentioned salient conditions under the State-owned Land Use Rights Grant Contract govern the development potential of the property, and there is no condition requiring construction of roadways, pathways, drainage, sewage and other facilities or services for public use. The Group has obtained a Construction Project Planning Permit in relation to the property as detailed in Note 5.

4. Pursuant to a State-Owned Land Use Rights Certificate, Jin Kai Guo Yong (2016) Di No. 0207004 dated 1 July 2016 and issued by the People's Government of Jinzhong, the land use rights of Phase 1 of Yijun Community with a site area of 46,762.59 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a term expiring on 17 May 2086 for residential uses.
5. Pursuant to a Construction Project Planning Permit, Jian Zi Di No. 140700201900025 dated 31 January 2019 and issued by Jinzhong Planning and Urban Management Bureau, the proposed development of Phase 1 of Yijun Community was approved.
6. The general description and market information of the property are summarized below:

Location	:	The property is located at North of Longhu West Avenue, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC.
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Transportation	:	Taiyuan Wusu International Airport and Jinzhong Railway Station are located approximately 9.3 kilometres and 6.1 kilometres away from the property respectively.
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Nature of Surrounding Area	:	The area is predominately a residential area in Yuci District.
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7. We have been provided with a legal opinion regarding the property by Shanxi Dingzheng Law Office, which contains, inter alia, the following:
  - a) Jinzhong Development Zone Real Estate Development Co., Limited has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
  - b) Jinzhong Development Zone Real Estate Development Co., Limited can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property.

- c) The state-owned land use rights of the property, are not subject to a mortgage, and are not subject to any dispute or seizure.
8. In the course of our valuation of market value of the property, we have considered and analysed relevant land sales comparables.

As there have been no recorded pure residential land sale transactions in the subject district since 2017, we have referred to the land sale transactions permissible for residential and commercial mixed uses and allowed adjustments in terms of land use for valuation of the property. The residential and commercial land sale comparables collected on an exhaustive basis are considered relevant to the property in terms of location and time. A total of four residential and commercial land sale comparables located in Yuci District, and with a transaction date of not more than one year have been identified and analysed. The following table shows the details of four land sale comparables and the adopted adjustments:

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
<b>Lot No.</b>	GK2023-33	JZSBJ2023T08	JZSBJ2023T10	JZSBJ2023T01
<b>Address</b>	North of Longhu Avenue, West of Dingyang Road	North of Longhu Street, East of Jinlun North Road	South of Guang'an Street, East of Zhongdu North Road	West of Xinnie Road
<b>District, City</b>	Yuci District, Jinzhong	Yuci District, Jinzhong	Yuci District, Jinzhong	Yuci District, Jinzhong
<b>Permitted Uses</b>	Residential and commercial	Residential and commercial	Residential and commercial	Residential and commercial
<b>Land Use Rights</b>	Granted	Granted	Granted	Granted
<b>Land Use Rights Term (years)</b>	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses
<b>Date</b>	Dec 2023	May 2023	Apr 2023	Apr 2023
<b>Site Area (sq.m.)</b>	77,078.00	18,296.00	60,710.00	21,946.00
<b>Permissible Plot Ratio</b>	2.80	2.50	2.80	2.00
<b>Permissible GFA (sq.m.)</b>	215,819.00	45,740.00	169,987.00	43,891.00
<b>Price (RMB)</b>	466,100,000	101,910,000	346,190,000	125,560,000
<b>Accommodation Value (RMB/sq.m.)</b>	2,160	2,228	2,037	2,861
<b>Adjustment</b>				
<b>Time</b>	0.0%	-3.3%	-7.0%	-7.0%
<b>Land Use</b>	-3.0%	-3.0%	-3.0%	-3.0%
<b>Location</b>	0.0%	0.0%	0.0%	0.0%
<b>Size</b>	+19.0%	+1.9%	+14.4%	+1.8%
<b>Density (Plot Ratio)</b>	+0.3%	+0.3%	+0.3%	+0.2%
<b>Adjusted Accommodation Value (RMB/sq.m.)</b>	<b>2,511</b>	<b>2,137</b>	<b>2,132</b>	<b>2,630</b>

After making different adjustments, the adjusted unit rates of the adopted comparables are ranging from RMB2,132 to RMB2,630 per sq.m. on the basis of permissible GFA as shown in the table above. The four adjusted unit rates are assigned with the same weight and represent a weighted average of RMB2,353 per sq.m. on the basis of permissible GFA. The weighted average unit rate is then multiplied by the permissible GFA of 26,243.00 sq.m. to derive a result of circa RMB61,700,000 upon rounding.

No	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 December 2023
4	Phase 2 within a Mixed-use Development Namely Yijun Community, South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC	The property comprises Phase 2 of Yijun Community, which is yet to be developed.  As per information provided by the Group, the property has a site area and a permissible GFA of approximately 16,409.83 sq.m. and 34,457.00 sq.m. respectively.  The land use rights of the property were granted for a term expiring on 17 May 2056 for commercial uses.	As per our on-site inspection and information provided by the Group, the property is currently vacant.	RMB15,400,000 (RENMINBI FIFTEEN MILLION AND FOUR HUNDRED THOUSAND)  51% Interest Attributable to the Group before Disposal:  RMB7,854,000 (RENMINBI SEVEN MILLION AND EIGHT HUNDRED AND FIFTY FOUR THOUSAND)

*Notes:*

1. The property was inspected by Ines Wang *MSc Real Estate Probationer of RICS* on 6 February 2024.
2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM FHKIoD MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MHIREA MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
3. Pursuant to two State-owned Land Use Rights Grant Contracts, dated 17 May 2016 and entered into between Shanxi Province Land and Resources Bureau Jinzhong Economic and Technological Development Zone Land Branch and Jinzhong Development Zone Real Estate Development Co., Limited, the land use rights of the property with a total site area of 16,409.83 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a common term of 40 years for commercial uses at a total consideration of RMB29,400,000.

The details of the State-owned Land Use Rights Grant Contracts are summarized below:-

<b>Contract No.</b>	<b>Site Area</b> (sq.m.)	<b>Permitted Use</b>	<b>Land Use Rights</b> <b>Term</b>	<b>Consideration</b> (RMB)
Jin Zhong Kai Chu Tu (2016) No. 2	5,131.18	Commercial	40 years	9,200,000
Jin Zhong Kai Chu Tu (2016) No. 4	11,278.65	Commercial	40 years	20,200,000
<b>Total:</b>	<b>16,409.83</b>			<b>29,400,000</b>

The details of the salient conditions of two State-owned Land Use Rights Grant Contracts are summarized below:

For Contract No. Jin Zhong Kai Chu Tu (2016) No. 2

Land Use	:	Commercial
Site Area	:	5,131.18 sq.m.
Lot No.	:	GK2015-36
Land Use Rights Term	:	40 years
Permissible Plot Ratio	:	2.1
Maximum Height	:	40 metres
Maximum Site Coverage	:	40%

For Contract No. Jin Zhong Kai Chu Tu (2016) No. 4

Land Use	:	Commercial
Site Area	:	11,278.65 sq.m.
Lot No.	:	GK2015-38
Land Use Rights Term	:	40 years
Permissible Plot Ratio	:	2.1
Maximum Height	:	40 metres
Maximum Site Coverage	:	40%

The above-mentioned salient conditions under the State-owned Land Use Rights Grant Contracts govern the development potential of the property, and there is no condition requiring construction of roadways, pathways, drainage, sewage and other facilities or services for public use. As per information provided by the Group, the Group has not obtained any respective approved development schemes or plans, or any respective planning permits for the property.

- Pursuant to two State-Owned Land Use Rights Certificates, dated 1 July 2016 and issued by the People's Government of Jinzhong, the land use rights of the property with a total site area of 16,409.83 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited and expiring on 17 May 2056 for commercial uses.

The details of the State-Owned Land Use Rights Certificates are summarized below:-

Certificate No.	Site Area (sq.m.)	Permitted Use	Land Use Rights Expiry Date
Jin Kai Guo Yong (2016) No. 0207003	5,131.18	Commercial	17 May 2056
Jin Kai Guo Yong (2016) No. 0207005	<u>11,278.65</u>	Commercial	17 May 2056
<b>Total:</b>	<b><u>16,409.83</u></b>		

5.. The general description and market information of the property are summarized below:

Location : The property is located at South of Huazhang Street, East of Xueyuan East Road, Yuci District, Jinzhong, Shanxi Province, The PRC.

Transportation : Taiyuan Wusu International Airport and Jinzhong Railway Station are located approximately 9.3 kilometres and 6.1 kilometres away from the property respectively.

Nature of Surrounding Area : The area is predominately a residential area in Yuci District.

6. We have been provided with a legal opinion regarding the property by Shanxi Dingzheng Law Office, which contains, inter alia, the following:

- a) Jinzhong Development Zone Real Estate Development Co., Limited has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
- b) Jinzhong Development Zone Real Estate Development Co., Limited can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property.
- c) The state-owned land use rights of the property, are not subject to a mortgage, and are not subject to any dispute or seizure.

7. In the course of our valuation of market value of the property, we have considered and analysed relevant land sales comparables.

The commercial land sale comparables collected on an exhaustive basis are considered relevant to the property in terms of property type, location and time. A total of four commercial land sale comparables located in Jinzhong, and with a transaction date of not more than one year have been identified and analysed. Since only one commercial land sale transaction was recorded within the research period of one year from the Valuation Date, we have extended our research to other districts of Jinzhong and three other relevant commercial land sale transactions have been identified and adopted. Adjustments have been applied on the three comparables from other districts to reflect the differences in locational attributes among different districts, and the locational adjustments applied are considered as not significant. The following table shows the details of four land sale comparables and the adopted adjustments:

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
<b>Lot No.</b>	JZSBJ2023T15	2023-27	2023-26	2022(Gua) No. 4-2
<b>Address</b>	North of Shan Zhuang Tou Village	North of Fenghuang Street, Chengjiazhuang Village	East of Nonggu Road, Chengjiazhuang Village	East of Luquanshan, North of East 2nd Ring Highway, Pingtuo Town
<b>District, City</b>	Yuci District, Jinzhong	Taigu District, Jinzhong	Taigu District, Jinzhong	Shouyang County, Jinzhong
<b>Permitted Uses</b>	Commercial	Commercial	Commercial	Commercial
<b>Land Use Rights</b>	Granted	Granted	Granted	Granted
<b>Land Use Rights Term (years)</b>	40	40	40	40
<b>Date</b>	Oct 2023	Sep 2023	Sep 2023	Feb 2023
<b>Site Area (sq.m.)</b>	1,052.00	5,333.00	4,528.00	58,770.00
<b>Permissible Plot Ratio</b>	2.22	2.00	2.00	1.50
<b>Permissible GFA (sq.m.)</b>	2,336.00	10,666.00	9,056.00	88,155.00
<b>Price (RMB)</b>	1,330,000	4,400,000	3,740,000	37,500,000
<b>Accommodation Value (RMB/sq.m.)</b>	569	413	413	425
<b>Adjustment</b>				
<b>Time</b>	-3.5%	-5.2%	-5.2%	-9.5%
<b>Land Use</b>	0.0%	0.0%	0.0%	0.0%
<b>Location</b>	0.0%	+5.0%	+5.0%	+10.0%
<b>Size</b>	-3.2%	-2.4%	-2.5%	+5.4%
<b>Density (Plot Ratio)</b>	0.0%	0.0%	0.0%	-0.1%
<b>Adjusted Accommodation Value (RMB/sq.m.)</b>	<b>531</b>	<b>402</b>	<b>402</b>	<b>449</b>

After making different adjustments, the adjusted unit rates of the adopted comparables are ranging from RMB402 to RMB531 per sq.m. on the basis of permissible GFA as shown in the table above. The four adjusted unit rates are assigned with the same weight and represent a weighted average of RMB446 per sq.m. on the basis of permissible GFA. The weighted average unit rate is then multiplied by the permissible GFA of 34,457.00 sq.m. to derive a result of circa RMB15,400,000 upon rounding.

No	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 December 2023
5	Phase 3 within a Mixed-use Development Namely Yijun Community, South of Huazhang Street, East of Guihua East 2nd Road, Yuci District, Jinzhong, Shanxi Province, The PRC	<p>The property comprises Phase 3 of Yijun Community, which is yet to be developed.</p> <p>As per information provided by the Group, the property has a site area and a permissible GFA of approximately 41,690.83 sq.m. and 85,365.00 sq.m. respectively.</p> <p>The land use rights of the property were granted for various terms expiring on 26 February 2088 for residential uses and 26 February 2058 for commercial uses.</p>	As per our on-site inspection and information provided by the Group, the property is currently vacant.	<p>RMB194,000,000 (RENMINBI ONE HUNDRED NINETY FOUR MILLION)</p> <p>51% Interest Attributable to the Group before Disposal:</p> <p>RMB98,940,000 (RENMINBI NINETY EIGHT MILLION AND NINE HUNDRED AND FORTY THOUSAND)</p>

## Notes:

- The property was inspected by Ines Wang *MSc Real Estate Probationer of RICS* on 6 February 2024.
- The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISC M FHKIoD MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MHIREA MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, Jin Zhong Kai Chu Tu (2018) No. 17 dated 27 February 2018 and entered into Jinzhong Land and Resources Bureau Land Branch and Jinzhong Development Zone Real Estate Development Co., Limited, the land use rights of the property with a site area of 41,690.83 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for a term of 70 years for residential uses and 40 years for commercial uses at a consideration of RMB74,400,000.

The details of the salient conditions of State-owned Land Use Rights Grant Contract are summarized below:

Land Use	:	Residential and Commercial
Site Area	:	41,690.83 sq.m.
Lot No. Area	:	GK2016-29
Land Use Rights Term	:	70 years for residential uses and 40 years for commercial uses
Permissible Plot Ratio	:	2.0 or 110,000 sq.m., whichever is higher
Maximum Height	:	40 metres
Maximum Site Coverage	:	30%

The above-mentioned salient conditions under the State-owned Land Use Rights Grant Contract govern the development potential of the property, and there is no condition requiring construction of roadways, pathways, drainage, sewage and other facilities or services for public use. The Group has obtained a Construction Project Planning Permit for the property as detailed in Note 5.

4. Pursuant to a Real Estate Title Certificate, Jin (2018) Jin Zhong Shi Bu Dong Chan Quan Di No. 0006414 dated 10 April 2018 and issued by Jinzhong Land and Resources Bureau, the land use rights of the property with a site area of 41,690.83 sq.m. were granted to Jinzhong Development Zone Real Estate Development Co., Limited for various terms expiring on 26 February 2088 for residential uses and 26 February 2058 for commercial uses.
5. Pursuant to a Construction Project Planning Permit, Jian Zi Di No. 140702202100018 dated 6 August 2021 and issued by Shanxi Transform Comprehensive Reform Demonstration Zone Jinzhong Development Zone Management Committee, the proposed development of the property was approved.
6. The general description and market information of the property are summarized below:

Location	:	The property is located at South of Huazhang Street, East of Guihua East 2nd Road, Yuci District, Jinzhong, Shanxi Province, The PRC.
Transportation	:	Taiyuan Wusu International Airport and Jinzhong Railway Station are located approximately 9.3 kilometres and 6.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Yuci District.

7. We have been provided with a legal opinion regarding the property by Shanxi Dingzheng Law Office, which contains, inter alia, the following:
  - a) Jinzhong Development Zone Real Estate Development Co., Limited has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
  - b) Jinzhong Development Zone Real Estate Development Co., Limited can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property.
  - c) The state-owned land use rights of the property, are not subject to a mortgage, and are not subject to any dispute or seizure.
8. In the course of our valuation of market value of the property, we have considered and analysed relevant land sales comparables.

The residential and commercial land sale comparables collected on an exhaustive basis are considered relevant to the property in terms of property type, location and time. A total of four residential and commercial land sale comparables located in Yuci District, and with a transaction date of not more than one year have been identified and analysed. The following table shows the details of four land sale comparables and the adopted adjustments:

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
<b>Lot No.</b>	GK2023-33	JZSBJ2023T08	JZSBJ2023T10	JZSBJ2023T01
<b>Address</b>	North of Longhu Avenue, West of Dingyang Road	North of Longhu Street, East of Jinlun North Road	South of Guang'an Street, East of Zhongdu North Road	West of Xinnie Road
<b>District, City</b>	Yuci District, Jinzhong	Yuci District, Jinzhong	Yuci District, Jinzhong	Yuci District, Jinzhong
<b>Permitted Uses</b>	Residential and commercial	Residential and commercial	Residential and commercial	Residential and commercial
<b>Land Use Rights</b>	Granted	Granted	Granted	Granted
<b>Land Use Rights Term (years)</b>	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses	70 years for residential uses and 40 years for commercial uses
<b>Date</b>	Dec 2023	May 2023	Apr 2023	Apr 2023
<b>Site Area (sq.m.)</b>	77,078.00	18,296.00	60,710.00	21,946.00
<b>Permissible Plot Ratio</b>	2.80	2.50	2.80	2.00
<b>Permissible GFA (sq.m.)</b>	215,819.00	45,740.00	169,987.00	43,891.00
<b>Price (RMB)</b>	466,100,000	101,910,000	346,190,000	125,560,000
<b>Accommodation Value (RMB/sq.m.)</b>	2,160	2,228	2,037	2,861
<b>Adjustment</b>				
<b>Time</b>	0.0%	-3.3%	-7.0%	-7.0%
<b>Land Use</b>	0.0%	0.0%	0.0%	0.0%
<b>Location</b>	0.0%	0.0%	0.0%	0.0%
<b>Size</b>	+13.0%	-4.0%	+8.0%	-5.0%
<b>Density (Plot Ratio)</b>	+0.2%	+0.1%	+0.2%	0.0%
<b>Adjusted Accommodation Value (RMB/sq.m.)</b>	<b>2,444</b>	<b>2,069</b>	<b>2,060</b>	<b>2,517</b>

After making different adjustments, the adjusted unit rates of the adopted comparables are ranging from RMB2,060 to RMB2,517 per sq.m. on the basis of permissible GFA as shown in the table above. The four adjusted unit rates are assigned with the same weight and represent a weighted average of RMB2,273 per sq.m. on the basis of permissible GFA. The weighted average unit rate is then multiplied by the permissible GFA of 85,365.00 sq.m. to derive a result of circa RMB194,000,000 upon rounding.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

#### *Long Position in the Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Bai Xuankui <sup>(Note 1)</sup>	Settlor of a discretionary trust	346,944,000	57.82%
Mr. Bai Wukui <sup>(Note 2)</sup>	Interest of a controlled corporation	64,944,000	10.82%

Name of Director	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Bai Guohua <sup>(Note 3)</sup>	Beneficiary of a discretionary trust	346,944,000	57.82%
Mr. Dong Shiguang <sup>(Note 4)</sup>	Interest of a controlled corporation	10,481,740	1.74%

*Notes:*

1. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited (“**White Empire BVI**”) in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian (the spouse of Mr. Bai Xuankui), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai Xuankui was the settlor of the family trust, Mr. Bai Xuankui was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
2. The shares were held by White Legend Global Holdings Limited (“**White Legend BVI**”) in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.
3. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai Xuankui, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
4. The shares were held by Honesty Priority Global Holdings Limited (“**Honesty Priority BVI**”) in the capacity of a legal beneficial owner. Since Mr. Dong Shiguang owned 34.87% shares in Honesty Priority BVI, Mr. Dong Shiguang was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

*Long Position in the shares of associated corporations of the Company*

<b>Name of Director/ chief executive</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of shareholding in the associated corporation</b>
Mr. Bai Xuankui	White Dynasty BVI <i>(Note 1)</i>	Settlor of a discretionary trust	10,000	100%
Mr. Bai Xuankui	White Empire BVI <i>(Note 1)</i>	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI <i>(Note 1)</i>	Settlor of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI <i>(Note 1)</i>	Settlor of a discretionary trust		100%

*Note:*

- White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Ms. Cheng Guilian and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai Xuankui was the settlor of the family trust.

**(b) Substantial Shareholders' interests and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, save as disclosed in this circular, so far as was known to the Directors, persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

*Long Position in the Shares and underlying Shares*

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
White Dynasty BVI <sup>(Note 1)</sup>	Beneficial owner	346,944,000	57.82%
White Empire BVI <sup>(Note 1)</sup>	Interest of a controlled corporation	346,944,000	57.82%
White Legend BVI <sup>(Note 2)</sup>	Beneficial owner	64,944,000	10.82%
Ms. Cheng Guilian <sup>(Note 3)</sup>	Beneficial of a discretionary trust	346,944,000	57.82%
Ms. Zhang Lindi <sup>(Note 4)</sup>	Interest of spouse	346,944,000	57.82%
Ms. Gan Xuelin <sup>(Note 5)</sup>	Interest of spouse	64,944,000	10.82%
Hwabao Trust Co., Ltd	Trustee	62,160,000	10.36%

*Notes:*

- White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust (the “**Family Trust**”) established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai Xuankui was the settlor of the Family Trust.
- White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.
- Ms. Cheng Guilian was the wife of Mr. Bai Xuankui. Since Ms. Cheng Guilian was a beneficiary of the Family Trust, Ms. Cheng Guilian was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
- Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the Family Trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
- Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### **3. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **4. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors was materially interested, whether directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

### **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

### **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

## 8. QUALIFICATION AND CONSENT OF EXPERT

### (a) Qualification of expert

The following is the qualification of the expert who has given opinion or advice, which is included in this circular:

Name	Qualification
Vincorn Consulting and Appraisal Limited	A fellow member of the Hong Kong Institute of Surveyors, a fellow member of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China
Shanxi Jiahao Real Estate and Assets Evaluation Co., Ltd.* (山西家豪房地產資產評估有限公司)	Independent qualified valuer

**(b) Consent of expert**

Each of the Property Valuer and the Business Valuer have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of its letter, report and/or references to its name in the form and context in which they appear.

**(c) Interests of expert**

As at the Latest Practicable Date, the Property Valuer and the Business Valuer did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Property Valuer and the Business Valuer did not have any direct or indirect interest in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**9. MATERIAL CONTRACTS**

The following contracts (being contracts entered into outside the ordinary course of business carried by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

- an equity transfer agreement dated 8 January 2024 entered into by Sichuan Changxing Industrial (Group) Company Limited\* (四川長興實業(集團)有限公司) (“**Sichuan Changxing**”), Chenxing Real Estate Development Co., Ltd\* (辰興房地產發展有限公司) (“**Chenxing Real Estate**”) and Sichuan Chenxing Real Estate Development Co., Limited\* (四川辰興房地產發展有限公司) (“**Sichuan Chenxing**”), pursuant to which Chenxing Real Estate has conditionally agreed to purchase, and Sichuan Changxing has conditionally agreed to sell, the 16.1074% equity interest in Sichuan Chenxing for a consideration of RMB45,000,000; and
- a capital injection agreement dated 8 January 2024 entered into by Sichuan Changxing, Sichuan Chenxing and Mianyang Chenxing Yazhi Real Estate Development Co., Limited\* (綿陽辰興雅致房地產發展有限公司) (“**Mianyang Chenxing**”), pursuant to which Sichuan Changxing and Sichuan Chenxing shall make a capital injection of RMB136,000,000 and RMB154,000,000 into the registered capital of Mianyang Chenxing, respectively.

**10. GENERAL**

<b>Registered office:</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands
<b>Head office and principal place of business in the PRC:</b>	18 Anning Street Yuci District Jinzhong City Shanxi Province The PRC
<b>Principal place of business in Hong Kong:</b>	40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
<b>Hong Kong branch share registrar and transfer office:</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Authorised representatives:</b>	Mr. Bai Guohua House 9, 3-2, Xin Ji Garden Xin Ji Street Yuci District, Jinzhong City Shanxi Province The PRC  Ms. Lee Angel Pui Shan 40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong

**Company secretary:**

Ms. Lee Angel Pui Shan  
(a Corporate Secretarial Executive of SWCS Corporate  
Services Group (Hong Kong) Limited)

**11. MISCELLANEOUS**

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

**12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chen-xing.cn](http://www.chen-xing.cn)) for a period of 14 days from the date of this circular:

- 1) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022;
- 2) the interim report of the Company for the six months ended 30 June 2023;
- 3) the Equity Transfer Agreement;
- 4) the Property Valuation Report;
- 5) the Business Valuation Report; and
- 6) this circular.