

The following is the text of letter, summary of valuation and valuation report, prepared for the purpose of incorporation in this prospectus, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 December 2020 of the property interests held by the Group in the People's Republic of China.



Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

16 March 2021

The Directors
Zhixin Group Holding Limited
Suite No. 2, 3/F,
Sino Plaza,
No. 255 Gloucester Road,
Causeway Bay,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Zhixin Group Holding Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 December 2020 (“Valuation Date”) for the purpose of incorporation into the prospectus issued by the Company on the date hereof.

Market Value, in accordance with International Valuation Standard published by International Valuation Standard Council (“IVSC”), 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 wherein the parties had each acted knowledgeably, prudently and without compulsion”.

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

In valuing the property interests nos. 1 and 2 in Group I, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two

results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Xiamen City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales.

In valuing the property interests no. 3 in Group II, we have adopted the market approach, reference has been made to the sales evidence as available to us in the locality.

In valuing the property interest no. 4 in Group II, we have adopted the income approach by taking into account the current rent passing of the property interests and the reversionary potential of the tenancy(ies). In determining the reversionary potential of the tenancy(ies), we have adopted the market approach with reference to the recent proposed leasing and sale transactions for similar premises in the proximity.

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

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

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

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

We have inspected the exteriors, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation 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 its value.

In valuing the property interest, our valuation has been prepared in accordance with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors (“RICS”) and the International Valuation Standards published by IVSC and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”). The exchange rate adopted in valuing the property interests in the PRC as at the Valuation Date was HK\$1: RMB0.8418. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our valuation report.

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

Victor W.K. Lam
MRICS, RICS Registered Valuer, CFA, FRM
Associate Director
Real Estate Group

Note: Mr. Victor W.K. Lam is a member of the Royal Institution of Chartered Surveyors, a RICS Registered Valuer, a Chartered Financial Analyst, and a Financial Risk Manager who has been working in the financial industry since 2009. He is experienced in valuation of real estate, business equities, intangible assets and derivatives for various purposes.

SUMMARY OF VALUATION

<u>Property</u>	<u>Market Value in existing state as at 31 December 2020</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 December 2020</u>
Group I — Property interests held by the Group in the PRC for self-occupation purpose			
1. Portion of the land and various buildings located at No. 55 Guan Kou Road, Guan Kou Town, Jimei District, Xiamen City, Fujian Province, The PRC (Adjacent to property no. 4)	RMB16,500,000 (equivalent to approximately HK\$19,600,000)	100%	RMB16,500,000 (equivalent to approximately HK\$19,600,000)
2. The land and buildings located at No. 77 Hou Shan Tou Road, Jimei District, Xiamen City, Fujian Province, The PRC	RMB68,000,000 (equivalent to approximately HK\$80,800,000)	100%	RMB68,000,000 (equivalent to approximately HK\$80,800,000)
Sub-total	RMB84,500,000 (equivalent to approximately HK\$100,400,000)		RMB84,500,000 (equivalent to approximately HK\$100,400,000)
Group II — Property interests held by the Group in the PRC for investment purpose			
3. Shop No. D120 of Block 5, Wanda Plaza, No. 2 Jinjiang Avenue, Jiaomei Town, Zhangzhou Taiwan Merchant Investment Zone, Longhai City, Zhangzhou City, Fujian Province, The PRC	RMB3,000,000 (equivalent to approximately HK\$3,600,000)	100%	RMB3,000,000 (equivalent to approximately HK\$3,600,000)
4. Portion of the land parcel and a building located at No.55 Guan Kou Road, Guan Kou Town, Jimei District, Xiamen City, Fujian Province, The PRC (Adjacent to Property no. 1)	RMB15,100,000 (equivalent to approximately HK\$17,900,000)	100%	RMB15,100,000 (equivalent to approximately HK\$17,900,000)
Sub-total	RMB18,100,000 (equivalent to approximately HK\$21,500,000)		RMB18,100,000 (equivalent to approximately HK\$21,500,000)
Grand Total	RMB102,600,000 (equivalent to approximately HK\$121,900,000)		RMB102,600,000 (equivalent to approximately HK\$121,900,000)

VALUATION REPORT

Group I — Property interests held by the Group in the PRC for self-occupation purpose

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Market Value in existing state as at 31 December 2020</u>
1. Portion of the land and various buildings located at No. 55 Guan Kou Road, Jimei District, Xiamen City, Fujian Province, The PRC (Adjacent to property no. 4)	The property comprises portion of a parcel of land together with 7 single to 5-storey buildings and structures completed in between 2000s and 2010s erected thereon. The site area and total gross floor area of the property are approximately 17,625.06 sq.m. and 5,347.11 sq.m. respectively. The land use rights of the property were granted for a term expiring on 22 September 2044 for industrial use.	The property was occupied by the Group for industrial and ancillary uses as at the Valuation Date.	RMB16,500,000 (equivalent to approximately HK\$19,600,000) Interest attributable to the Group 100% Market Value in existing state attributable to the Group as at 31 December 2020 RMB16,500,000 (equivalent to approximately HK\$19,600,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: 2008 Xia Guo Tu Fang Ji He Zi No. 001) entered into between the Jimei Division of Xiamen City State-owned Land Resources and Property Management Bureau (Party A) and Xiamen Zhixin Construction Material Group Limited* (廈門智欣建材集團有限公司) (“Zhixin Construction Material”) (Party B) dated 9 January 2008, the land use rights of the property together with property no.4 with a total site area of approximately 36,411.743 sq.m. were granted from Party A to Party B for a term expiring on 22 September 2044 at a consideration of RMB9,216,722 for industrial use.
- Pursuant to 7 Xiamen City Land and Building Ownership Certificates (Document Nos.: Xia Guo Tu Fang Zheng Nos. 01186521, 01186527, 01186531, 01186535, 01186539, 01186540 and 01186575), the land use rights of the property together with property no. 4 with a site area of 36,411.69 sq.m. were granted to Zhixin Construction Material for industrial use. In addition, the buildings of the property with a total gross floor area of approximately 5,347.11 sq.m. are vested in Zhixin Construction Material.

3. According to a Pledge Contract of Maximum Amount (Document No.: Xing Yin Xia Hu Bin Ye E Di Zi No, 2019003) dated 30 January 2019, the property together with property nos. 2 and 4 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited (興業銀行股份有限公司廈門分行).
4. The property was inspected by our Mr. Lawrence Chan (MRICS, MHKIS, RPS(GP), MCIREA MHIREA, RICS Registered Valuer) on 27 May 2019, the external and internal conditions of the property were fair.
5. According to the information provided by the Group, Zhixin Construction Material is a wholly-owned subsidiary of the Company.
6. The property is situated at Guan Kou Road of Guan Kou Town, buildings in the locality are low rise village houses and industrial complexes. It takes about 30-minute driving distance to the Xiamen International Airport. Taxis and buses are accessible to the property.
7. The average unit rate of industrial land parcel in the locality as at the Valuation Date is in the range of RMB500 per sq.m. to RMB650 per sq.m.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, *inter alia*, the following information:
 - (a) Zhixin Construction Material is the owner of the property and is entitled to occupy, use, yield, transfer, lease and pledge the property;
 - (b) the property together with property nos. 2 and 4 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited, transferal of the property is subject to the consent of the pledgee; and
 - (c) The following legal documents were obtained:
 - (i) Land and Building Ownership Certificates Yes

VALUATION REPORT

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Market Value in existing state as at 31 December 2020</u>
2. The land and buildings located at No.77 Hou Shan Tou Road, Jimei District, Xiamen City, Fujian Province, The PRC	The property comprises a parcel of land together with 5 single to 5-storey buildings and structures completed in about 2016 erected thereon. The site area and total gross floor area of the property are approximately 52,221.82 sq.m. and 23,630.03 sq.m. respectively. The land use rights of the property were granted for a term expiring on 13 November 2062 for industrial and warehouse uses.	The property was occupied by the Group for industrial and ancillary uses as at the Valuation Date.	RMB68,000,000 (equivalent to approximately HK\$80,800,000) Interest attributable to the Group 100% Market Value in existing state attributable to the Group as at 31 December 2020 RMB68,000,000 (equivalent to approximately HK\$80,800,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: 35021120121113CG07) entered into between the Jimei Division of Xiamen City State-owned Land Resources and Property Management Bureau (Party A) and Xiamen Tangsong Mechanic Technology Company Limited (廈門唐松機器人科技有限公司) (subsequently known as Xiamen Zhixin Construction Technology Limited* (廈門智欣建工科技有限公司) (“Zhixin Construction Technology”) (Party B) dated 13 November 2012, the land use rights of the property with a site area of approximately 52,221.818 sq.m. were granted from Party A to Party B for a term of 50 years commencing from 13 November 2012 and expiring on 13 November 2062 at a consideration of RMB17,546,531 for industrial and warehouse uses.
- Pursuant to 5 Real Estate Ownership Certificates (Document Nos.: Min (2018) Xia Men Shi Bu Dong Chan Quan Nos. 0102683, 0102687, 0102685, 0102691 and 0102686), the buildings of the property with a total gross floor area of approximately 23,630.03 sq.m. are vested in Zhixin Construction Technology.
- According to a Pledge Contract of Maximum Amount (Document No.: Xing Yin Xia Hu Bin Ye E Di Zi No, 2019003) dated 30 January 2019, the property together with property nos.1 and 4 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited (興業銀行股份有限公司廈門分行).
- The property was inspected by our Mr. Lawrence Chan (MRICS, MHKIS, RPS(GP), MCIREA MHIREA, RICS Registered Valuer) on 27 May 2019, the external and internal conditions of the property were fair.
- According to the information provided by the Group, Zhixin Construction Technology is a wholly-owned subsidiary of the Company.

6. The property is situated at Hou Shan Tou Road, buildings in the locality are low rise village houses and industrial complexes. It takes about 30-minute driving distance to the Xiamen International Airport. Taxis and buses are accessible to the property.
7. The average unit rate of industrial land parcel in the locality as at the Valuation Date is in the range of RMB500 per sq.m. to RMB650 per sq.m.
8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, *inter alia*, the following information:
 - (a) Zhixin Construction Technology is the owner of the property and is entitled to occupy, use, yield, transfer, lease and pledge the property;
 - (b) the property together with property nos. 1 and 4 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited, transferal of the property is subject to the consent of the pledgee; and
 - (c) The following legal documents were obtained:
 - (i) Real Estate Ownership Certificates Yes

VALUATION REPORT

Group II — Property interests held by the Group in the PRC for investment purpose

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Market Value in existing state as at 31 December 2020</u>
3. Shop No. D120 of Block 5, Wanda Plaza, No. 2 Jinjiang Avenue, Jiaomei Town, Zhangzhou Taiwan Merchant Investment Zone, Longhai City, Zhangzhou City, Fujian Province, The PRC	The property comprises a duplex shop unit on Levels 1 and 2 of a 18-storey composite building completed in about 2010s. The gross floor area of the property is approximately 154.42 sq.m. The land use rights of the property were granted for a term expiring on 8 November 2053 for wholesale and retail uses.	The property was vacant as at the Valuation Date.	RMB3,000,000 (equivalent to approximately HK\$3,600,000)
			Interest attributable to the Group
			100%
			Market Value in existing state attributable to the Group as at 31 December 2020
			RMB3,000,000 (equivalent to approximately HK\$3,600,000)

Notes:

- Pursuant to a Commodity House Sale and Purchase Agreement (Document No.: 350683010001032019002206) entered into between Zhangzhou Taiwan Merchant Investment Zone Wanda Plaza Investment Limited* (漳州台商投資區萬達廣場投資有限公司) (the “Vendor”) and Zhixin Construction Material (the “Purchaser”) dated 23 May 2019, the ownership of the property with a gross floor area of approximately 154.42 sq.m. was transferred from the Vendor to the Purchaser at a consideration of RMB2,947,269.
- Pursuant to a Real Estate Ownership Certificates (Document No.: Min (2019) Zhang Zhou Tai Shang Tou Zi Qu Bu Dong Chan Quan No. 0009133), the land use rights of the property were granted to Zhixin Construction Material for wholesale and retail uses. In addition, the building of the property with a total gross floor area of approximately 154.42 sq.m. is vested in Zhixin Construction Material.
- The property was inspected by our Mr. Tony Wong (MSc) on 3 January 2020, the external and internal conditions of the property were reasonable.
- According to the information provided by the Group, Zhixin Construction Material is a wholly-owned subsidiary of the Company.
- The property is situated at the junction of Jinjiang Avenue and Jiaojiang Road of Jiaomei Town, buildings in the locality are low-rise village houses and medium to high-rise residential buildings. It takes about 40-minute driving distance to the Xiamen International Airport. Taxis and buses are accessible to the property.
- The average unit rate of shop units on Level 1 in the locality as at the Valuation Date is in the range of RMB15,000 per sq.m. to RMB25,000 per sq.m..

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, *inter alia*, the following information:
- (a) Zhixin Construction Material is the owner of the property and is entitled to occupy, use, yield, transfer, lease and pledge the property;
 - (b) The following legal documents were obtained:
 - (i) Real Estate Ownership Certificate Yes

VALUATION REPORT

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Market Value in existing state as at 31 December 2020</u>
4. Portion of the land parcel located at No.55 Guan Kou Road, Jimei District, Xiamen City, Fujian Province, The PRC (Adjacent to property no. 1)	The Property comprises a parcel of land together with a 6-storey office/laboratory composite building completed in 2000s erected thereon. The total site area and gross floor area of the Property are approximately 18,786.63 sq.m. and 2,721.72 sq.m. respectively. The land use rights of the property were granted for a term expiring on 22 September 2044 for industrial use.	The property was leased to an independent third party as at the Valuation Date.	RMB15,100,000 (equivalent to approximately HK\$17,900,000) Interest attributable to the Group 100% Market Value in existing state attributable to the Group as at 31 December 2020 RMB15,100,000 (equivalent to approximately HK\$17,900,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2008 Xia Guo Tu Fang Ji He Zi No. 001) entered into between the Jimei Division of Xiamen City State-owned Land Resources and Property Management Bureau (Party A) and Zhixin Construction Material (Party B) dated 9 January 2008, the land use rights of the property together with property no. 1 with a total site area of approximately 36,411.743 sq.m. were granted from Party A to Party B for a term expiring on 22 September 2044 at a consideration of RMB9,216,722 for industrial use.
- Pursuant to a Xiamen City Land and Building Ownership Certificate (Document Nos.: Xia Guo Tu Fang Zheng No. 01186528), the land use rights of the property together with property no. 1 with a site area of 36,411.69 sq.m. were granted to Zhixin Construction Material for industrial use. In addition, the buildings of the property with a total gross floor area of approximately 2,721.72 sq.m. are vested in Zhixin Construction Material.

3. According to a land tenancy agreement and its supplementary agreement entered into between Zhixin Construction Material and China Railway 24th Bureau Co., Ltd Xiamen City Railway Line 1 Factory (中鐵二十四局集團有限公司廈門市軌道1號線管片廠) (the “Tenant”), the property was leased to the Tenant for a term of 6 years commencing from 1 January 2017 and expiring on 31 December 2022 at various annual rental exclusive of taxes, management fee and other operating outgoings. The details are as below:

<u>Lease term(s)</u>	<u>Annual Rental</u> (RMB) (Exclusive of taxes, management fee and other operating outgoings)
1 January 2017 to 31 December 2017	1,699,528
1 January 2018 to 31 December 2018	1,594,632
1 January 2019 to 31 December 2019	1,661,335
1 January 2020 to 31 December 2022	1,827,469

4. As confirmed by the Company, the Tenant is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.
5. Apart from the buildings stated in Note 2, various buildings and structures are erected on the property. According to information provided by the Company, these buildings and structures were erected by the Tenant and hence, the buildings and structures are excluded in the scope of our valuation.
6. According to a Pledge Contract of Maximum Amount (Document No.: Xing Yin Xia Hu Bin Ye E Di Zi No, 2019003) dated 30 January 2019, the property together with property nos.1 and 2 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited (興業銀行股份有限公司廈門分行).
7. The property was inspected by our Mr. Lawrence Chan (MRICS, MHKIS, RPS(GP), MCIREA MHIREA, RICS Registered Valuer) on 27 May 2019, the external and internal conditions of the property were fair.
8. According to the information provided by the Group, Zhixin Construction Material is a wholly-owned subsidiary of the Company.
9. The property is situated at Guan Kou Road of Guan Kou Town, buildings in the locality are low rise village houses and industrial complexes. It takes about 30-minute driving distance to the Xiamen International Airport. Taxis and buses are accessible to the property.
10. The average annual unit rent of industrial land parcel in the locality as at the Valuation Date is in the range of RMB25 per sq.m. to RMB50 per sq.m. while the average annual unit rent of industrial workshop in the locality as at the Valuation Date is in the range of RMB150 per sq.m. to RMB200 per sq.m..
11. We have been provided with a legal opinion on the property prepared by the Group’s PRC legal adviser, Jingtian & Gongcheng, which contains, *inter alia*, the following information:
- (a) Zhixin Construction Material is the owner of the property and is entitled to occupy, use, yield, transfer, lease and pledge the property;
 - (b) the property together with property nos. 1 and 2 are subject to a pledge in favour of Xiamen Branch of Industrial Bank Company Limited, transferal of the property is subject to the consent of the pledgee;
 - (c) the tenancy agreement stated in Note 3 is legally binding; and
 - (d) The following legal documents were obtained:
 - (i) Land and Building Ownership Certificates Yes