
APPENDIX III

PROPERTY VALUATION REPORT

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this document received from HG Appraisal & Consulting Limited, an independent valuer, in connection with its valuation as at 31 May 2024 of the property interests of the Group.

HG Appraisal & Consulting Limited
17th Floor
80 Gloucester Road
Wanchai
Hong Kong



21 June 2024

The Board of Directors
Zhonggan Communication (Group) Holdings Limited
Room 101, Block 99
2799 Tianxiang Avenue
Nanchang Jiahai Industrial Park
Nanchang High-tech Industrial Development Zone
Nanchang City
Jiangxi Province, the PRC

Dear Sirs

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of Zhonggan Communication (Group) Holdings Limited (the “**Company**”) for us to value the property interest held by the Company and its subsidiaries (hereinafter 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 31 May 2024 (the “**Valuation Date**”) for the purpose of incorporating into the document.

BASIS OF VALUATION

Our valuation is prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “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 METHODOLOGY

In valuing the property interest, the Property has been valued by Income Capitalisation Approach. The Income Capitalisation Approach is a valuation method commonly applied for investment property. The rental income derived from the existing tenancies are capitalised for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the Valuation Date, which is then capitalised for the remaining term of the land use rights of the property. The sum of the capitalised value of the term income, the reversionary incomes as appropriately deferred and the vacant units provides the market value of the property.

VALUATION ASSUMPTIONS

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

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion provided by the Company's PRC legal advisers, JunZeJun Law Offices (the "**PRC Legal Opinion**").

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

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

We have inspected the exterior and, where possible, the interior of the property. 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 property is free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi ("RMB"). The exchange rate used in valuing the property in the PRC as at 31 May 2024 was RMB1=HK\$1.1. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully
For and on behalf of
HG Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over thirty three years' experiences in undertaking valuations of properties in Hong Kong and has over twenty eight years' experiences in valuations of properties in the PRC.

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VALUATION CERTIFICATE

Property interest held by the Group as an investment property in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at Valuation Date	
Floors 1 to 7, Block 99, 2799, Tianxiang Avenue, Nanchang Jiahai Industrial Park, Nanchang Hi-tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	The property comprises Levels 1 to 7 of a 12-storey building completed in 2016.	The property is subject to a tenancy for a term of 20 years commencing from 5 March 2020 and expiring on 4 March 2040 as office and enterprise ancillary uses (hospitality, catering, etc.).	RMB26,880,000 (equivalent to approximately HK\$29,568,000)	
	The gross floor area of the property is approximately 7,042 sq.m., breakdown as follows:			
	Floor	GFA(sq.m.)	Monthly detailed rental:	
	1F	795.28	Year one to five: RMB14/sq.m.	100%
	2F	1,041.12	Year six to eight: 5% rental increment	
	3F	1,041.12	Year nine to twenty:	
	4F	1,041.12	5% rental increment for each	Market Value in existing state attributable to the Group as at 31 May 2024
	5F	1,041.12	every three years.	
	6F	1,041.12		
	7F	1,041.12		
	Total	7,042.00	RMB26,880,000 (equivalent to approximately HK\$29,568,000)	
	The land use rights of the property have been granted for a term of 50 years commencing from 1 September 2012 and expiring on 31 August 2062 for industrial uses (Note 4(iii)-(vii)).			

Notes:

1. According to a Nanchang City Commodity Real Estate Sale and Purchase Contract dated 20 September 2016, Zhonggan Communication (Group) Co., Ltd. acquired Block 99, 2799, Tianxiang Avenue, Nanchang Jiahai Industrial Park at the consideration of RMB38,964,086.
2. According to a Real Estate Title Certificate (Document No.: Gan (2022) Nanchang City Bu Dong Chan Quan No. 0093346) dated 21 August 2019, the land use rights of the property having a site area of approximately 1,048.11 sq.m. and gross floor area of approximately 12,569.06 sq.m. were granted to Zhonggan Communication (Group) Co. Ltd. for a term of 50 years commencing from 1 September 2012 and expiring on 31 August 2062 for industrial uses. (see Note 4(iii)-(vii)).
3. According to the Real Estate Lease Agreement, the property with a gross floor area of approximately 7,042 sq.m. has been leased to Jiangxi Yiting Hotel Management Co., Ltd. for office and ancillary use (hospitality, catering, etc.), with a lease term from 5 March 2020 to 4 March 2040. The monthly rent for the first to fifth years is RMB14/sq.m., with an increment of 5% for the sixth to eighth years, and an increment of 5% for each every three years for the ninth to twentieth year.

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4. The PRC Legal Opinion states, *inter alia*, the followings:
- (i) The registered owner of the property has obtained the relevant title certificates and has legal ownership of the property.
 - (ii) The registered owner of the property can legally lease, mortgage or dispose of the abovementioned property rights in other legal ways. Currently, apart from mortgage, there are no legal procedures or rights restrictions that have a significant adverse impact on the use of the land or house, such as being seised, frozen, or sued.
 - (iii) The Nanchang High-tech Zone Management Committee issued a confirmation on 6 May 2021 agreeing to change floors 1 to 8 of Block 99 of Nanchang Jiahai Industrial Park to an office and enterprise ancillary use (hospitality, catering, etc.) space.
 - (iv) The High tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau has issued two confirmations dated 16 March 2023 and 25 January 2024, it is certified that Zhonggan Communication (Group) Co., Ltd. has not been penalised by the High-tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau from 1 January 2020 to 16 March 2023 and from 1 January 2023 to 25 January 2024.
 - (v) The Nanchang High-tech Zone Management Committee Urban Rural Construction Bureau has issued a confirmation dated 1 February 2024, it is certified that Zhonggan Communication (Group) Co. Ltd. was not involved in any illegal action and did not violate any construction regulations in the period from 1 January 2020 to 26 January 2024.
 - (vi) The High-tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau has issued a confirmation dated 23 April 2023, it is certified that Zhonggan Communication (Group) Co., Ltd. can legally use the property (Re: Real Estate Title Certificate (Document No: Gan (2022) Nanchang City Bu Dong Chan Quan No. 0093346) Right No. 0093346) for office and commercial purposes, and is not subject to any form of administrative penalty by the aforesaid bureau.
 - (vii) Based on the above, the risk of being penalised by the competent authorities for not fully utilising the property according to the land and housing purposes recorded in the real estate certificate is relatively low, and it will not have a significant adverse impact on the operation of Zhonggan Communication (Group) Co., Ltd.
 - (viii) All legal documents and the relevant planning permits were obtained.
5. The status of title and grant of major approvals and permits in accordance with the PRC Legal Opinion and information provided by the Company are as follows:
- (i) Real Estate Title Certificate Yes
 - (ii) Real Estate Lease Agreement Yes
6. In arriving of our valuation, we have made the following assumptions:
- (i) The owner is entitled to sell, transfer, mortgage, charge, lease, sub-lease or otherwise dispose of the property to any third party (either local or overseas) at a consideration without payment of any additional premium or other onerous payment to the government during the whole of the unexpired term of their land use rights periods;
 - (ii) All land premiums and other costs of ancillary utility services have been settled in full; and
 - (iii) The property is free from any mortgages, orders and other legal encumbrances which may cause adverse effects to the title of the property.

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7.	Valuation technique	Inputs	Weighted average
	Income Capitalisation Approach	Estimated market rental value per square metre	RMB34 (equivalent to approximate HK\$37)
		Capitalisation rate	5.5%
8.	The property was inspected by Senior Valuer, Mrs. Zhu Yunyu, on 7 May 2024.		