



**RAVIA GLOBAL  
APPRAISAL  
ADVISORY LIMITED**

# PROPERTY VALUATION

**Prepared for**

**China Environment Resources Group Limited**

**17 May 2023  
AL/230325PV**



**Prepared by**

***Ravia Global Appraisal Advisory Limited***

**Performance Exceeds Expectation**

17 May 2023

The Board of Directors  
**China Environmental Resources Group Limited**  
Unit 2608, 26/F  
Greenfield Tower, Concordia Plaza  
No. 1 Science Museum Road  
Tsim Sha Tsui East, Kowloon, Hong Kong

Dear Sirs,

**Re: Property valuation of an industrial development located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the People's Republic of China (the "PRC") (一個位於中華人民共和國廣東省東莞市沙田鎮稔洲村龍船洲小組之工業房地產項目)**

In accordance with the instructions of China Environmental Resources Group Limited (the "**Company**", and together with its subsidiaries hereinafter referred to as the "**Group**") to assess the market value of the captioned property situated in 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 the property as at 28 February 2023 (the "**Valuation Date**") for the purpose of incorporation in the circular of the Company dated 17 May 2023.

## **1. BASIS OF VALUATION**

Our valuation of property is our opinion of the market value which we would define 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".

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

## **2. VALUATION STANDARDS**

In valuing the property, we have complied with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors effective from 31 December 2020; and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **3. VALUATION METHODOLOGY**

For large scale en-bloc industrial development which is built by the owner for owner occupation in the PRC, the structure and specification are usually designed for the specific requirement to suit the owner's occupation e.g. specific requirements of floor plate size, floor loading, ceiling height, open spaces for accommodation of machinery and production line and materials storage as well as the requirement of dormitory and canteen for a specific number of workers, etc. Further, the transactions of such kind of industrial developments usually bond with the business and the transactions of only real estate interest are rare.

Therefore, due to the specific purpose and unique nature of the buildings and structures of the property, no relevant market sale or rental evidence is readily available for reference and therefore cost approach with reference to the depreciated replacement cost was adopted to assess the market value of the property. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". We have assessed the current replacement cost of the structures and buildings of the property as at the Valuation Date with adjustments of physical deterioration and all relevant forms of obsolescence and optimization; and assessed the market value of the land of the property with relevant transaction evidence of land parcels in the relevant market. The market value of the property is arrived at the summation of the values of the depreciated replacement cost of the buildings and structures and the market value of the land portion. The application of the depreciated replacement cost method is under the basis and the assumption that (i) the depreciated replacement cost of the property is subject to adequate potential profitability of the concerned business (i.e. on the assumption that the property owner/entity is able to finance the amount of the depreciated replacement cost as derived); and (ii) the reported market value only applies to the whole of the complex or development as a unique interest and no piecemeal transaction is assumed. Unless otherwise stated, for the purpose of this valuation we have not considered any redevelopment potential which might affect the market value of the property.

## **4. TITLE INVESTIGATION**

We have been provided with copies of title documents and have been confirmed by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice provided by the Company's PRC Legal Adviser, Jian Da Law Firm (景達律師事務所), regarding the legality of the concerned property titles.

## **5. VALUATION ASSUMPTIONS**

Our valuation has been made on the assumptions that the owner sells the property in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of the property. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the property. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, we have assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value; all relevant land premium and other costs of ancillary utility services have been settled in full; the title owners of the property have free and uninterrupted rights to occupy and use the property during the whole of the remaining land lease term; and the existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

## **6. SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on matters such as planning approvals or statutory notices, easements, tenure, property identification, particulars of occupation, site/floor areas, building ages and all other relevant matters which can affect the market value of the property. All documents have been used for reference only. Whenever the information contained in this valuation report is quoted or extracted from documents supplied to us which are originally produced in Chinese and translated into English for disclosure purpose, in case of any inconsistency, the Chinese version shall prevail. The English names translated from Chinese names contained in this report are for identification purpose only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any material information has been withheld.

## **7. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the buildings are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out any land investigation or environmental surveys, but we did not notice and have not been advised of any evidence of environmental concerns such as existing or potential contamination or any form of hazard, and therefore we assumed none of such exists. We have not carried out on-site measurement to verify the site/floor areas of the property under consideration and have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, 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 therefore approximations.

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

## **8. CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("RMB"), the lawful currency of the PRC.

## **9. REMARKS**

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Our Valuation Certificate is attached herewith.

Yours faithfully,

For and on behalf of

**RAVIA GLOBAL APPRAISAL ADVISORY LIMITED**



**Dr. Alan Lee**

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV

CPV(Business)

*Director*

*Note:*

Dr. Alan Lee is a Registered Professional Surveyor (General Practice), a Member of Hong Kong Institute of Surveyors, and an Associate of Australian Property Institute. He has over 18 years' property valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, and various European and American countries.

## VALUATION CERTIFICATE

### Property held by the Group for owner occupation in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2023
<p>An industrial development located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, The PRC                      位於中國廣東省東莞市沙田鎮稔洲村龍船洲小組之一個工業房地產項目</p>	<p>The property is an industrial development comprising two parcels of land with a total site area of 72,335.99 sq.m. (or approximately 778,627.50 sq.ft.) together with the ten buildings and ancillary structures with a total gross floor area ("GFA") of 28,814.66 sq.m. (or approximately 310,161.00 sq.ft.) erected thereon which were completed in 1996.</p> <p>The property is situated about 40 minutes driving distance from the Dongguan city center and about 20 minutes driving distance from the Humen railway station. The vicinity of the property mainly comprising various industrial developments.</p> <p>The land use rights of the property have been granted for terms due to expire on 15 February 2044 and 10 May 2044 for industrial use.</p>	<p>As advised by the Company, the property is held for owner occupation and vacant as at the Valuation Date.</p>	<p><b>RMB62,200,000</b>                      (RENMINBI SIXTY-TWO MILLION TWO HUNDRED THOUSAND)</p> <p>80% interest attributable to the Company:  <b>RMB49,760,000</b>                      (RENMINBI FORTY-NINE MILLION SEVEN HUNDRED SIXTY THOUSAND)</p>

*Notes:*

- Pursuant to two State Owned Land Use Rights Certificates (國有土地使用權證) issued by the People's Government of Dongguan City (東莞市人民政府), the land use rights of two parcels of land situated at Group of Longchuanzhou, Renzhou Village, Shatian Town (沙田鎮稔洲村龍船洲小組) with a total site area of 72,335.99 sq.m. (or approximately 778,627.50 sq.ft.), have been vested in Dongguan Daxin Technology Co., Ltd. (東莞大新科技有限公司), salient information summarized as below:

Certificate Number	Issuance Date	Site Area (sq.m.)	Use	Expiration Date
東府國用(1996)第特311號 Dong Fu Guo Yong (1996) Di Te No. 311	19 April 2006	37,930.96	Industrial	15 February 2044
東府國用(1996)第特312號 Dong Fu Guo Yong (1996) Di Te No. 312	18 April 2006	34,405.03	Industrial	10 May 2044
		<u>72,335.99</u>		

2. Pursuant to ten Real Estate Title Certificates (房地產權證) issued by the People's Government of Guangdong Province (廣東省人民政府) on 16 October 2006, the building ownerships of ten buildings with a total GFA of 28,814.66 sq.m. (or approximately 310,161.00 sq.ft.) which were completed in 1996 have been vested in Dongguan Daxin Technology Co., Ltd., salient information summarized as below:

Certificate Number	GFA (sq.m.)	Use	Storey
粵房地證字第C4931901號 Yue Fang Di Zheng Zi No. C4931901	983.08	Canteen	1
粵房地證字第C4931911號 Yue Fang Di Zheng Zi No. C4931911	2,598.80	Office	2
粵房地證字第C4931912號 Yue Fang Di Zheng Zi No. C4931912	2,715.40	Dormitory	6
粵房地證字第C4931913號 Yue Fang Di Zheng Zi No. C4931913	1,816.50	Dormitory	3
粵房地證字第C4931914號 Yue Fang Di Zheng Zi No. C4931914	1,401.68	Dormitory	3
粵房地證字第C4931915號 Yue Fang Di Zheng Zi No. C4931915	2,715.40	Dormitory	6
粵房地證字第C4931916號 Yue Fang Di Zheng Zi No. C4931916	5,100.00	Factory	1
粵房地證字第C4931917號 Yue Fang Di Zheng Zi No. C4931917	8,400.00	Factory	2
粵房地證字第C4931918號 Yue Fang Di Zheng Zi No. C4931918	368.40	Factory	1
粵房地證字第C4931919號 Yue Fang Di Zheng Zi No. C4931919	2,715.40	Dormitory	6
	28,814.66		

3. Dongguan Daxin Technology Co., Ltd. is an indirect 80% owned subsidiary of the Company.
4. The site inspection was performed by Mr. Zhang Jinren, with over 6-year valuation experience in the PRC, in April 2023.
5. We have been provided with a legal opinion regarding the legality of the concerned property titles prepared by the Company's PRC Legal Adviser, which contains, *inter alia*, the following salient information:
- a. The land use rights and building ownership of the property is legally and validly owned by Dongguan Daxin Technology Co., Ltd. with legitimate rights to lease, transfer or mortgage; and
  - b. The property is not subject to mortgage, seize, or other major encumbrances, and the current usage of the property complies with the permitted usages.

6. The market value of the property as at the Valuation Date is arrived at the summation of the value of (i) the two land parcels by making reference to relevant land transactions on vacant possession basis; and (ii) the value of the buildings and structures erected thereon on depreciated replacement cost basis which refers to “the current cost of replacing an asset less deductions for physical deterioration”.

In assessing the value of the land portion of the property, references have been made to relevant land transactions. Selection criteria of land transactions included proximity of transaction time (within one year before the Valuation Date and up to the Latest Practicable Date), location (situated at Shatian Town), and similar usage (for industrial use). Due adjustments were made to reflect the differences between the subject land parcels and comparable land parcel. Downward adjustment was made to reflect the significant difference in remaining land tenure, i.e. 21 remaining years of the subject land and 50 years of the comparable lands when transacted, as well as adjustments on location and accessibility, we have adopted a unit rate of RMB737 per sq.m. on site area, the concluded market value of the two land parcels with a total site area of about 72,335.99 sq.m. is RMB53,300,000 (rounded; RMB737 × 72,335.99 sq.m.). The referenced land transactions and computations are tabulated below:

	Land Comparable 1	Land Comparable 2	Land Comparable 3
<b>Location</b>	Hean Village, Shatian Town, Dongguan City 東莞市沙田鎮和安村	Hean Village, Shatian Town, Dongguan City 東莞市沙田鎮和安村	Xidadan Village, Shatian Town, Dongguan City 東莞市沙田鎮 西大擔村
Land Number	2023WT014	2022WT019	2022WT014
Transaction Date	7 March 2023	30 June 2022	25 April 2022
Consideration	RMB49,990,000	RMB237,030,000	RMB40,080,000
Transaction type	Public Tender	Public Tender	Public Tender
Permitted Usage	Industrial	Industrial	Industrial
Tenure	50 years	50 years	50 years
Maximum Plot Ratio	2.00	2.00	4.00
Site Area	33,321.81 sq.m.	197,521.56 sq.m.	33,396.37 sq.m.
Transaction site unit price (per sq.m.)	RMB1,500	RMB1,200	RMB1,200
Tenure adjustment rate	-58%	-58%	-58%
Site unit rate after tenure adjustment (per sq.m.)	RMB630	RMB504	RMB504
Other adjustments (on factors such as location, accessibility, etc.)	+ 6%	+ 20%	+ 20%
Adjusted site unit rate adopted (per sq.m.)	RMB720	RMB746	RMB744
Weightings	1/3	1/3	1/3
*(RMB720*1/3) + (RMB746*1/3) + (RMB744*1/3) = <u>RMB737</u>			

In assessing the value of the buildings and structures portion of the property, references have been made to prevailing construction costs in the vicinity to determine the current replacement cost. Average construction costs between RMB1,500 per sq.m. and RMB2,200 per sq.m. have been adopted depending on the types of building with consideration of associated professional, management and financial costs. The total replacement cost of the buildings is arrived at about RMB61,500,000. Due adjustment of physical deterioration to reflect the wear and tear depreciation of the buildings which were built in 1996, an average depreciated replacement unit cost of about RMB309 per sq.m. was adopted by assuming a



straight-line depreciation with useful life of 30 years and scrap value of 5%, and the total depreciated replacement cost of the buildings is rounded at RMB8,900,000 (RMB309 x 28,814.66 sq.m.). The calculation formula is tabulated as below:

**Depreciation Rate**

$$= (\text{Cost less Scrap value}) * (\text{used years} / \text{total useful life})$$

$$= (1 - 5\%) * (27/30) \text{ years} = 85.5\%$$

$$\text{Depreciated replacement Cost unit rate} = \text{Average Replacement Cost Unit Rate} * \text{Depreciation}$$

$$= (\text{RMB}61,500,000 / 28,814.66 \text{ sq.m.}) * (1 - 85.5\%)$$

$$= \text{RMB}2,134 * 14.5\% = \text{RMB}309$$

The replacement unit cost adopted for the buildings are tabulated as below:

<b>Building Nature</b>	<b>Current replacement unit cost including professional, management and financial costs</b>	<b>Depreciated Replacement Unit Cost</b>
Canteen	RMB1,544/sq.m.	RMB224/sq.m.
Dormitory	RMB2,284/sq.m.	RMB331/sq.m.
Factory	RMB2,067/sq.m.	RMB300/sq.m.
Ancillary Office	RMB2,067/sq.m.	RMB300/sq.m.

The market value of the property as at the Valuation Date is therefore arrived at

	Value of the land —	RMB53,300,000
(+)	Value of the buildings and structures —	RMB8,900,000
(=)	Market Value of the property —	RMB62,200,000