

APPENDIX III

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 31 March 2013 of the property interests of our Group.

9 May 2013

Cushman & Wakefield Valuation Advisory Services (HK) Limited
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The Board of Directors
Huazhang Technology Holding Limited
Level 12
Weixing Building
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Xihu District
Hangzhou City
Zhejiang Province
The People's Republic of China

Dear Sirs,

PRELIMINARY

In accordance with your instructions to value the properties in which Huazhang Technology Holding Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in The People's Republic of China ("The PRC"). We confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2013 (the "valuation date").

BASIS OF VALUATION

Our valuations of the property interests represent 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".

APPENDIX III

PROPERTY VALUATION

The valuation has been prepared in accordance with the requirements set out in the [●]; the International Valuation Standards (2011) published by the International Valuation Standards Council and effective from 1 June 2011; and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2013.

VALUATION ASSUMPTIONS

Our valuations have 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.

As the properties are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights.

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

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

SITE INSPECTION

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

VALUATION METHODOLOGIES

In the valuation of the property interests in Group I (property interests owned and occupied by the Group in the PRC), whereas applicable, we have adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant markets.

APPENDIX III

PROPERTY VALUATION

In valuing the property interests of Property No.3 in Group I with proper title certificates, due to the nature of the buildings and structures that were constructed, there are no readily identifiable market comparable transactions. In the course of our valuation, we have considered their values on the basis of their depreciated replacement costs.

The Depreciated Replacement Cost method when used must always subject to adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization.

The Depreciated Replacement Cost of the property generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

We have attributed no commercial value to the property interest in Group II, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

SOURCE OF INFORMATION

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

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

TITLE INVESTIGATIONS

We have been, in some instances, provided by the Group with extracts of the title documents including State-owned Land Use Rights Certificates and Building Ownership Certificates relating to the property interests in the PRC, and have made relevant enquiries. However, we have not searched the original documents to verify the existing titles to the property interests and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the PRC Legal Advisers – ETR Law Firm, concerning the validity of the Group's titles to the property interests in the PRC.

APPENDIX III

PROPERTY VALUATION

CURRENCY & EXCHANGE RATE

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuations is approximately Renminbi Yuan (RMB)1 = HK\$1.25 which was approximately the prevailing exchange rate as at the valuation date.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of

Cushman & Wakefield Valuation Advisory Services (HK) Limited
Vincent K. C. Cheung

Registered Professional Surveyor (GP)

BSc (Hons) MBA MRICS MHKIS

National Director, Valuation & Advisory, Greater China

Note: Mr. Vincent K. C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with 16 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in [●] particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

APPENDIX III

PROPERTY VALUATION

SUMMARY OF VALUES

Group I – Property interests owned and occupied by the Group in the PRC

No. Property	Market Value in existing state as at 31 March 2013 RMB	Interest attributable to the Group	Market Value in existing state as at 31 March 2013 attributable to the Group RMB
1. Units 1206-1210 Weixing Building No. 252 Wensan Road Xihu District Hangzhou City Zhejiang Province The PRC	6,400,000	100%	6,400,000
2. Unit 801 Block B Changdi Huoju Building No. 259 Wensan Road Xihu District Hangzhou City Zhejiang Province The PRC	15,140,000	100%	15,140,000
3. An industrial facility located at Zhenhua Road Second Industrial Zone Tongxiang Economic Development Area Tongxiang Jiaxing City Zhejiang Province The PRC	47,830,000	100%	47,830,000
Sub-total	<u>69,370,000</u>		<u>69,370,000</u>

APPENDIX III

PROPERTY VALUATION

SUMMARY OF VALUE

Group II – Property interest leased and occupied by the Group in Hong Kong

No. Property	Market Value in existing state as at 31 March 2013 RMB	Interest attributable to the Group	Market Value in existing state as at 31 March 2013 attributable to the Group RMB
4. Portion A of Unit 5 on 8th Floor of Tower I South Seas Centre No. 75 Mody Road Tsim Sha Tsui Kowloon Hong Kong	No commercial value	100%	Nil
Sub-total:	<u>Nil</u>		<u>Nil</u>
Grand Total:	<u><u>69,370,000</u></u>		<u><u>69,370,000</u></u>

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Property interests owned and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
1. Units 1206-1210 Weixing Building No. 252 Wensan Road Xihu District Hangzhou City Zhejiang Province The PRC	<p>The property comprises five adjoining office units on Level 12 of a 23-storey office tower (plus a basement level) which was completed in about 1997.</p> <p>The gross floor area of the property is approximately 422.27 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 5 August 2044 for composite uses.</p>	The property is currently occupied by the Group for office purposes.	<p>RMB6,400,000</p> <p><i>(100% interest attributable to the Group: RMB6,400,000)</i></p>

Notes:

1. The property was inspected by Mr. Vincent K. C. Cheung and Mr. Kit K. H. Cheung on 18 July 2012. Mr. Vincent K. C. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS), Member of the Hong Kong Institute of Surveyors (HKIS) as well as Registered Professional Surveyors (General Practice Division), with 16 years' experience in real estate valuations. Mr. Kit K. H. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS) and a Member of the Hong Kong Institute of Surveyors (HKIS), with 4 years' experience in real estate valuations.
2. Pursuant to a Deed of Registration, No. 2010A0001192625 dated 4 June 2010 and issued by the Finance Bureau of Hangzhou, the property was acquired by Zhejiang Huazhang Technology Limited ("Huazhang Technology") on 12 May 2010 at a consideration of RMB4,230,000.
3. Pursuant to a State-owned Land Use Rights Certificate, Hang Xi Guo Yong (2010) Di No. 008188 dated 10 June 2010 and issued by the People's Government of Hangzhou, the land use rights of the property with an apportioned site area of 51.10 square metres were granted to Huazhang Technology for a term expiring on 5 August 2044 for composite uses.
4. Pursuant to a Building Ownership Certificate, Hang Fang Quan Zheng Xi Yi Zi Di No. 10830366 dated 25 May 2010 and issued by the Real Estate Administration Bureau of Hangzhou, the building ownership rights of the property with a gross floor area of 422.27 square metres were vested in Huazhang Technology.
5. Huazhang Technology is an indirect wholly-owned subsidiary of the Company.
6. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:
 - a. Huazhang Technology legally obtains the land use rights; the land use rights of the property are currently not subject to any mortgage or third party rights, nor subject to any dispute, legal enforcement on expropriation, forfeiture, freezing, disposal or other procedures or situations having significant negative impact on the ownership. Huazhang Technology has the legal rights to occupy, use, transfer, let or mortgage the land use rights of the property; and
 - b. Huazhang Technology is the legal owner of the buildings pursuant to the aforesaid Building Ownership Certificate and has the rights to occupy, use, transfer, let or mortgage the buildings in accordance with the stated uses. The buildings are currently not subject to any mortgage or third party rights, nor subject to any legal proceedings, administrative charges, forfeiture, disposal or other disputes.

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013
2. Unit 801 Block B Changdi Huoju Building No. 259 Wensan Road Xihu District Hangzhou City Zhejiang Province The PRC	<p>The property comprises an office unit on Level 8 of a 20-storey office tower (plus two basement levels) which was completed in about 2003.</p> <p>The gross floor area of the property is approximately 750.42 square metres.</p> <p>The land use rights of the property were granted for a term expiring on 17 June 2049 for composite uses.</p>	<p>The property is currently occupied by the Group for office purposes.</p>	<p>RMB15,140,000</p> <p><i>(100% interest attributable to the Group: RMB15,140,000)</i></p>

Notes:

1. The property was inspected by Mr. Vincent K. C. Cheung and Mr. Kit K. H. Cheung on 18 July 2012. Mr. Vincent K. C. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS), Member of the Hong Kong Institute of Surveyors (HKIS) as well as Registered Professional Surveyors (General Practice Division), with 16 years' experience in real estate valuations. Mr. Kit K. H. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS) and a Member of the Hong Kong Institute of Surveyors (HKIS), with 4 years' experience in real estate valuations.
2. Pursuant to a Deed of Registration, No. 2010A0001192616 dated 4 June 2010 and issued by the Finance Bureau of Hangzhou, the property was acquired by Huazhang Technology on 12 May 2010 at a consideration of RMB8,250,000.
3. Pursuant to a State-owned Land Use Rights Certificate, Hang Xi Guo Yong (2010) Di No. 008187 dated 10 June 2010 and issued by the People's Government of Hangzhou, the land use rights of the property with an apportioned site area of 92.20 square metres were granted to Huazhang Technology for a term expiring on 17 June 2049 for composite uses.
4. Pursuant to a Building Ownership Certificate, Hang Fang Quan Zheng Xi Yi Zi Di No. 10830365 dated 25 May 2010 and issued by the Real Estate Administration Bureau of Hangzhou, the building ownership rights of the property with a gross floor area of 750.42 square metres were vested in Huazhang Technology.
5. Huazhang Technology is an indirect wholly-owned subsidiary of the Company.
6. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:
 - a. Huazhang Technology legally obtains the land use rights; the land use rights of the property are currently not subject to any mortgage or third party rights, nor subject to any dispute, legal enforcement on expropriation, forfeiture, freezing, disposal or other procedures or situations having significant negative impact on the ownership. Huazhang Technology has the legal rights to occupy, use, transfer, let or mortgage the land use rights of the property; and
 - b. Huazhang Technology is the legal owner of the buildings pursuant to the aforesaid Building Ownership Certificate and has the rights to occupy, use, transfer, let or mortgage the building in accordance with the stated uses. The buildings are currently not subject to any mortgage or third party rights, nor subject to any legal proceedings, administrative charges, forfeiture, disposal or other disputes.

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013 <i>RMB</i>
3. An industrial facility located at Zhenhua Road Second Industrial Zone Tongxiang Economic Development Area Tongxiang Jiaxing City Zhejiang Province The PRC	<p>The property comprises an industrial facility formed by a land parcel with a site area of approximately 41,540.37 square metres, on which are erected nine buildings and various ancillary structures which were completed in various stages between 2005 and 2012.</p> <p>The total gross floor area of the buildings is approximately 23,056.45 square metres (please refer to Notes 3 to 8 below).</p> <p>The buildings comprise an office, three production workshops, a canteen/dormitory, a dormitory, two guardhouses and a power generation room. The property improvements mainly comprise rain sheds, carparks, roads and boundary walls.</p> <p>The land use rights of the property were granted for a term expiring on 8 May 2052 for industrial uses (please refer to Note 2 below).</p>	The property is currently occupied by the Group for production, ancillary office and dormitory purposes.	<p>47,830,000</p> <p><i>(100% interest attributable to the Group: RMB47,830,000)</i></p>

Notes:

1. The property was inspected by Mr. Vincent K. C. Cheung and Mr. Kit K. H. Cheung on 19 July 2012. Mr. Vincent K. C. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS), Member of the Hong Kong Institute of Surveyors (HKIS) as well as Registered Professional Surveyors (General Practice Division), with 16 years' experience in real estate valuations. Mr. Kit K. H. Cheung is a Member of the Royal Institution of Chartered Surveyors (RICS) and a Member of the Hong Kong Institute of Surveyors (HKIS), with 4 years' experience in real estate valuations.
2. Pursuant to a State-owned Land Use Rights Certificate, Tong Guo Yong (2013) Di No. 01277 dated 15 January 2013 and issued by the People's Government of Tongxiang, the land use rights of the property with a site area of 41,540.37 square metres were granted to Huazhang Technology for a term expiring on 8 May 2052 for industrial uses.

APPENDIX III

PROPERTY VALUATION

3. Pursuant to six Building Ownership Certificates issued by the Planning and Construction Bureau of Tongxiang, the building ownership rights of five buildings of the property with a total gross floor area of 22,975.31 square metres were legally vested in Huazhang Technology with details as follows:

Certificate No. (Tong Fang Quan Zheng Tong Zi Di)	Date of Registration	Building	Gross Floor Area (sq.m.)	No. of Storey
No. 00219520	23-Sep-2011	Production Workshop # 2	11,016.96	1-storey
No. 00221610	18-Oct-2011	Office	5,328.70	2-storey
No. 00221611	18-Oct-2011	Production Workshop # 1	2,851.25	1-storey
No. 00221612	18-Oct-2011	Canteen/ Dormitory	1,231.07	3-storey
No. 00221613	18-Oct-2011	Dormitory	1,245.64	4-storey
No. 00258845	9-Jan-2013	Production Workshop # 3	1,301.69	1-storey
Total:			22,975.31	

4. Pursuant to a Construction Land Use Planning Permit, No. Shi (02)043033 dated 28 March 2002 and issued by the Planning and Construction Bureau of Tongxiang, the proposed land use of the subject site with a site area of 41,474.57 square metres for factory and ancillary uses was approved.
5. Pursuant to a Notice on Change of Planning Parameters, Tong Fei Bian Gui (2011) No. 12 dated 30 March 2011 and issued by the Planning and Construction Bureau of Tongxiang, the maximum plot ratio of the subject site was permitted to increase from 0.84 to 0.93; and the maximum site coverage was permitted to increase from 42.75% to 46.64%.
6. Pursuant to a Construction Project Planning Permit, No. 3304832011KFQ053 dated 27 May 2011 and issued by the Planning and Construction Bureau of Tongxiang, the proposed development of production workshop # 3 of the property with a planned gross floor area of 1,301.69 square metres was approved.
7. Pursuant to a Construction Works Commencement Permit, No. 330425201108300201 dated 30 August 2011 and issued by the Planning and Construction Bureau of Tongxiang, the construction works of production workshop # 3 of the property with a planned gross floor area of 1,301.69 square metres was approved to commence.
8. In the course of our valuation, we have attributed no commercial value to three buildings with a total gross floor area of approximately 81.14 square metres as they are yet to be granted with proper title certificate. For reference purposes, we are of the opinion that the value of the buildings (excluding the land), assuming they have been granted with the proper title certificate and are freely transferable as at the valuation date, would be RMB80,000.

Details of the three buildings are listed as follows:

Building	Gross Floor Area (sq.m.)	No. of Storey
Guardhouse # 1	33.08	1-storey
Guardhouse # 2	35.81	1-storey
Power Generation Room	12.25	1-storey
Total:		81.14

APPENDIX III

PROPERTY VALUATION

9. Pursuant to a Highest Loan Mortgage Agreement, No. 63722792502011091 entered into between China Construction Bank Corporation Tongxiang Branch ("mortgagor") and Huazhang Technology ("mortgagee"), the land use rights of the property held under State-owned Land Use Rights Certificate, Tong Guo Yong (2011) Di No. 18713; and the building ownership rights of the buildings held under Building Ownership Certificates, Tong Fang Quan Zheng Tong Zi Di Nos. 00219520, 00221610, 00221611, 00221612 and 00221613 are together subject to a mortgage in favour of the mortgagor for a term of two years commencing on 25 October 2011 and expiring on 24 October 2013 at a consideration of RMB48,110,000.
10. Huazhang Technology is an indirect wholly-owned subsidiary of the Company.
11. We have been provided with a legal opinion regarding the legality of the Group's property interests by the Group's PRC legal adviser, which contains, inter alia, the following:
 - a. The mortgage of the land use rights of the property of the aforesaid Highest Loan Mortgage Agreement has not been registered in the record of the State-owned Land Resources Bureau of Tongxiang.
 - b. The building ownership rights of the property are subject to a mortgage and registered in the record of Real Estate Administrative Bureau of Tongxiang.
 - c. Huazhang Technology legally obtains the land use rights; the land use rights of the property are currently not subject to any dispute, nor legal enforcement on expropriation, forfeiture, freezing, disposal or other procedures or situations having significant negative impact on the ownership. Huazhang Technology has the legal rights to occupy, use, transfer, let or mortgage the land use rights of the property; and
 - d. Huazhang Technology is the legal owner of the buildings pursuant to the aforesaid Building Ownership Certificate and has the rights to occupy, use, transfer, let or mortgage the buildings in accordance with the stated uses. The buildings are currently not subject to any legal proceedings, administrative charges, forfeiture, disposal or other disputes. For those buildings which are yet to be granted with proper title certificate, Huazhang Technology can only own the building ownership rights of such buildings completely and effectively upon acquiring the requisite Building Ownership Certificates for the buildings. There is no legal impediment for Huazhang Technology to acquire Building Ownership Certificates of the two guardhouses.

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II – Property interest leased and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2013 RMB
4. Portion A of Unit 5 on 8th Floor of Tower I South Seas Centre No. 75 Mody Road Tsim Sha Tsui Kowloon Hong Kong	<p>The property comprises an office unit on 8th of a 13-storey office tower plus two basement levels within a commercial development known as "South Seas Centre" which was completed in about 1982.</p> <p>The gross floor area and the saleable area of the property are approximately 1,527 square feet and 1,166 square feet, respectively.</p> <p>The property is currently leased by Hua Zhang Electric Holding Company Limited ("Huazhang Electric") for a term commencing on 1 December 2012 and expiring on 30 November 2015 at a monthly rent of HK\$17,306 inclusive of rates but exclusive of management fee, air-conditioning charges and all other outgoings.</p>	<p>The property is currently occupied by the Group for office purposes.</p>	<p>No commercial value</p>

Notes:

1. Pursuant to a tenancy agreement dated 27 September 2012 and entered into between Fu An International Investments Limited and Huazhang Electric, the property was leased to Huazhang Electric for a term commencing on 1 December 2012 and expiring on 30 November 2015 (both dates inclusive) at a monthly rent of HK\$17,306 inclusive of rates but exclusive of management fee, air-conditioning charges and all other outgoings.
2. The registered owner of the property is Fu An International Investments Limited registered vide Memorial No. 12083102300011 dated 15 August 2012. The consideration of the property was HK\$13,880,000.
3. The property is subject to the following:
 - a. Occupation Permit No. K6/82 registered vide Memorial No. UB2221695 dated 24 February 1982;
 - b. Deeds of Mutual Covenant registered vide Memorial No. UB2280641 dated 4 May 1982 and registered vide Memorial No. UB2318649 dated 4 May 1982;
 - c. Certified True Copy of Certificate of Compliance from the Director of Public Works to Wu Wing International Co. Ltd. registered vide Memorial No. UB2866103 dated 30 March 1982;
 - d. Certified True Copy of Certificate of Compliance from the Registrar General's (Land Officer) to Wu Wing International Co. Ltd. registered vide Memorial No. UB2866104 dated 1 April 1982; and
 - e. Letter of Compliance registered vide Memorial No.11040800581088 dated 9 March 2011.
4. The tenancy agreement of the property has been duly stamped.