

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this [REDACTED] received from Asset Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 June 2015 of the property interests held by the Group.



Asset Appraisal Limited
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[●] 2015

The Board of Directors

KPa Engineering Limited

4/F, Henry Centre,
No. 131 Wo Yi Hop Street,
Kwai Chung,
New Territories.

Dear Sirs,

Re: Valuation of Various Units in Henry Centre, No, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

In accordance with the instructions of **KPa Engineering Limited** (the “**Company**”) to value the property interests (the “**Properties**”) held by the Company or its subsidiaries (altogether referred to as the “**Group**”) situated in Hong Kong, we confirm that we have carried out inspections of the Properties, 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 Properties as at 30 June 2015 (the “**date of valuation**”).

BASIS OF VALUATION

Our valuation of the Properties represents 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”.

TITLESHIP

We have carried out title search for the Properties in the Land Registry. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect ownership of them.

APPENDIX III**PROPERTY VALUATION**

VALUATION METHODOLOGY

The Properties have been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the Group sells its interests in the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests.

As the Properties are held by the Group under leasehold interest, we have assumed that the Group has free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the leasehold interests.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation. 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 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, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were inspected on 16 June 2015 by Mr. Yang Jun Hao, who is an employee of us. We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

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.

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In valuing the Properties, we have complied with all the requirements contained in Chapter 8 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (HK\$).

Our summary of valuation and valuation certificates are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

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SUMMARY OF VALUATION

Property	Market value in existing state as at 30 June 2015 HK\$	Interest attributable to the Company as at 30 June 2015 %	Value of property interest attributable to the Company as at 30 June 2015 HK\$
Property interests to be disposed by the Company			
1. Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories	3,000,000	100%	3,000,000
2. Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories	6,400,000	100%	6,400,000
3. Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories	9,500,000	100%	9,500,000
4. Workshop B on 7/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories	4,300,000	100%	4,300,000
	Total:		<u>23,200,000</u>

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VALUATION CERTIFICATE

Properties held by the Group for owner occupy

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2015</u> HK\$
1. Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories 120/9993rd shares of and in Lot No. 312 in D. D. 444	<p>The property comprises an industrial unit on the 3rd floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area and saleable area of the property is approximately 1,050 square feet and 678 square feet respectively.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	The property is occupied by the Group for office use.	3,000,000

Notes:

1. The registered owner of the property is Sun Pool Engineering Limited vide memorial no. TW857326 dated 14 August 1992.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited registered via memorial no. TW1615104 dated 29 November 2004.
4. The property lies within an area zoned “Other Specified Uses (Business)” under Kwai Chung Outline Zoning Plan No. S/ KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. As advised by the Group, the waiver for the office use within the industrial building is under application. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Our valuation has been made on the assumption that the waiver can be obtained within a reasonable time period and additional land premium or other charges is minimal.

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Properties held by the Group for owner occupy

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2015</u> HK\$
2. Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories 243/9993rd shares of and in Lot No. 312 in D. D. 444	<p>The property comprises an industrial unit on the 3rd floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area of the property is approximately 2,235 square feet.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	The property is occupied by the Group for office use.	6,400,000

Notes:

1. The registered owner of the property is KPa Engineering Limited vide memorial nos. 09072702010034 dated 30 June 2009.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a mortgage (to secure all monies in respect of general banking facilities) in favour of Hang Seng Bank Limited registered via memorial no. 09091400580030 dated 8 September 2009.
4. The property lies within an area zoned “Other Specified Uses (Business)” under Kwai Chung Outline Zoning Plan No. S/ KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. As advised by the Group, the waiver for the office use within the industrial building is under application. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Our valuation has been made on the assumption that the waiver can be obtained within a reasonable time period and additional land premium or other charges is minimal.

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Properties held by the Group for owner occupy

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2015</u> HK\$
<p>3. Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories</p> <p>395/9993rd shares of and in Lot No. 312 in D. D. 444</p>	<p>The property comprises two industrial units on the 4th floor together with the roof thereto within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area and roof area of the property is approximately 3,000 and 1,437 square feet respectively.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is occupied by the Group for office use.</p>	<p>9,500,000</p>

Notes:

1. The registered owner of the property is KPa Engineering Limited vide memorial nos. TW1009675 and TW1015346 dated 15 June 1995 and 15 July 1995 respectively.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited registered via memorial no. TW1615105 dated 29 November 2004.
4. The property lies within an area zoned “Other Specified Uses (Business)” under Kwai Chung Outline Zoning Plan No. S/ KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. As advised by the Group, the waiver for the office use within the industrial building is under application. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Our valuation has been made on the assumption that the waiver can be obtained within a reasonable time period and additional land premium or other charges is minimal.

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VALUATION CERTIFICATE

Properties held by the Group for owner occupy

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 30 June 2015</u> HK\$
<p>4. Workshop B on 7/F, Henry Centre, No. 131 Wo Yi Hop Street, Kwai Chung, New Territories</p> <p>174/9993rd shares of and in Lot No. 312 in D. D. 444</p>	<p>The property comprises an industrial unit on the 7th floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area of the property is approximately 1,550 square feet.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is occupied by the Group for office use.</p>	<p>4,300,000</p>

Notes:

1. The registered owner of the property is BuildMax Limited vide memorial no. 10020500880047 dated 8 January 2010.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a mortgage (for all moneys (PT.)) in favour of Hang Seng Bank Limited registered via memorial no.15020600300094 dated 30 January 2015.
4. The property lies within an area zoned “Other Specified Uses (Business)” under Kwai Chung Outline Zoning Plan No. S/ KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. As advised by the Group, the waiver for the office use within the industrial building is under application. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Our valuation has been made on the assumption that the waiver can be obtained within a reasonable time period and additional land premium or other charges is minimal.