



永利行評值顧問有限公司
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The Board of Directors
Sandmartin International Holdings Ltd
Unit 516, 5th Floor,
Peninsula Centre,
67 Mody Road,
Tsim Sha Tsui East,
Kowloon,
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the properties (the "Property") held by Sandmartin International Holdings Limited (the "Company", together with its subsidiaries, the "Group") located in the People's Republic of China (the "PRC") and Taiwan. We confirm that we have carried out property 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 31 March 2023 (the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.



微信公众号
永利行評值



ISO 9001:2015
證書編號: CC 6139
永利行評值顧問有限公司
提供企業及房地產評值服務



BASIS OF VALUATION

The valuation is our opinion of the market value (“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 wherein 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 and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

To assessing the Properties, the direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, 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 market value.

VALUATION CONSIDERATIONS

In valuing the Property, we have complied with all the requirements contained in Chapter 5, Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission and the International Valuation Standards 2022.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

- i. the owners of the Property have enforceable titles to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired terms as granted;
- ii. no deleterious or hazardous materials or techniques have been used in the construction of the Property;
- iii. the Property is connected to main services and sewers which are available on normal terms; and

- iv. the cost of repairs and maintenance to the buildings of which the Property forms part are shared among all owners of the building, and that there are no onerous liabilities outstanding.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. For properties located in the PRC, we have relied considerably on the information given by the Company's PRC legal adviser, Anli Partners, concerning the validity of the titles to the Property. For properties located in Taiwan, we conducted land search on the government's official land record search website and relied on the legal opinion by Taiwan legal adviser, KPMG Taiwan.

LIMITING CONDITIONS

We have conducted on-site inspections in April 2023 by our staff Ms. Liu Jing (MSc in Geo-information Science) and Ms. Chuhui Chen (陳初慧).

During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that any contamination, subsidence or other latent defect exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has 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.

Neither have we verified the correctness of any information supplied to us concerning the Property. We also rely on the property information, ownership and encumbrances advised by legal adviser

POTENTIAL TAX LIABILITY

For the purpose of compliance with the Rule 11.3 of the Takeovers Code and as advised by the Group, in respect of the properties in the PRC, the potential tax liabilities which would arise from the sale of the properties comprise value-added tax at 5% or 9% and the surcharge taxes at 10% to 12% of the value-added tax paid on the transaction amount and stamp duty at 0.05% on the transaction amount; land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value; and corporate income tax at 25%.

In respect of property in Taiwan, the potential tax liabilities which would arise from the sale of the properties comprise corporate income tax at 20% to 35% on the gain (depending on the date of original acquisition), value-added business tax at 5% on the transaction amount and land value increment tax at 20% to 40%.

As advised, the Group has no immediate plan to sale or dispose of the properties as at the valuation date, the likelihood of any such liability crystalizing is not high.

REMARKS

We have valued the properties in Renminbi (RMB) and New Taiwan Dollar (TWD).

We enclose herewith the summary of values and the "Property Particulars and Opinion of Value".



Jessie X. Chen
MRICS, MSc (Real Estate), BEcon
Senior Associate Director



Jenny S. L. Mok
MHKIS, MRICS, BSc (Hons)
Senior Manager

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

Ms. Jenny S. L. Mok is a Chartered Surveyor with over 10 years' experience in valuation of properties in HKSAR and mainland China. Ms. Mok is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I – Property interests held by the Group in the PRC

No.	Property	Market Value as at 31 March 2023 <i>RMB</i>
1.	An industrial park comprises various industrial buildings and vacant lands under development erected on lot 1, located in Xin QianJin Village “San Shi”, Tanzhou County, Zhongshan City, Guangdong Province, the PRC	269,200,000
Total		269,200,000

Group II – Property interests held by the Group in Taiwan

No.	Property	Market Value as at 31 March 2023 <i>TWD</i>
2.	Four office units Nos.4-7 on 14/F, two carparks on -3/B, located at No.1071 Zhongzheng Road, No. 60, Zhongpu Section, Taoyuan District, Taoyuan City, Taiwan	68,970,000
Total		68,970,000

Group I – Properties held by the Group in the PRC

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market value as at 31 March 2023 RMB																		
1.	An industrial park comprises various industrial buildings and vacant lands under development located in Xin QianJin Village "San Shi", Tanzhou County, Zhongshan City, Guangdong Province, the PRC	<p>The property comprises various industrial buildings completed in between 2001 and 2005 with a total gross floor area of approximately 92,716.52 sq.m. erected on a total site of approximately 109,901 sq.m..</p> <p>Some vacant lands within the site are under construction to be developed into new industrial buildings.</p> <p>The breakdown of gross floor area of existing industrial buildings is listed as follows:</p>	<p>Portions of the industrial buildings are currently subject to various leases while the remaining portions are currently vacant or owner-occupied; the vacant lands are currently under development. <i>(Please see Notes 3 -5 below for details)</i></p>	<p>269,200,000 (RENMINBI ONE HUNDRED SIXTY NINE MILLION AND TWO HUNDRED THOUSAND ONLY)</p>																		
		<table border="1"> <thead> <tr> <th>Property</th> <th>Approximate GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Block 2</td> <td>14,645.58</td> </tr> <tr> <td>Block 5</td> <td>14,911.94</td> </tr> <tr> <td>Block 6</td> <td>23,612.70</td> </tr> <tr> <td>Block 7</td> <td>28,413.49</td> </tr> <tr> <td>Dormitory</td> <td>4,209</td> </tr> <tr> <td>Factory</td> <td></td> </tr> <tr> <td>Dormitory</td> <td>6,923.65</td> </tr> <tr> <td>Total:</td> <td>92,716.52</td> </tr> </tbody> </table>	Property	Approximate GFA (sq.m.)	Block 2	14,645.58	Block 5	14,911.94	Block 6	23,612.70	Block 7	28,413.49	Dormitory	4,209	Factory		Dormitory	6,923.65	Total:	92,716.52		
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No.	Property	Description and tenure	Particulars of occupancy	Market value as at 31 March 2023 RMB
		The planned gross floor area of lands under construction is approximately 175,274.69 sq.m..		
		The land use right of the property is granted for a term expiring on 2048 for new-type industrial use.		

Notes:

- Pursuant to two State-owned Land Use Right Grant Contracts - Zhong Guo Tu Chu Rang Zi (98) Di No.5545 and Zhong Guo Tu Chu Rang Zi (98) Di No.5563, the land use rights of two parcels of land with site area of approximately 39,730.00 sq.m. and 47,521.00 sq.m. (total at 87,251.00 sq.m) were both granted to Sandmartin (Zhong Shan) Electronic Co., Ltd. ("Sandmartin Zhongshan"), a wholly owned subsidiary of Sandmartin International Holdings Limited for industrial use.
- Pursuant to a State-owned Land Use Right Grant Contract – Zhong Guo Tu Chu Rang Zi (98) Di No.5754, the land use rights of a parcel of land with total site area of approximately 22,650.06 sq.m. was granted to Sandmartin Zhongshan for industrial use.
- Pursuant to two Real Estate Ownership Certificates (as listed below), the building ownership of various industrial buildings with a total gross floor area of approximately 104,631.03 sq.m were vested in Sandmartin Zhongshan for industrial use, 70,967.78 sq.m. of which is tenanted or held for investment. The details of such certificates are as follows:

Property	Certificate Nos.	Approximate Gross Floor Area (sq.m.)
Industrial Factories erected on Lot 1	Yue (2022) Zhong Shan Shi Bu Dong Chan Quan Di No. 0234590	93,498.22
Dormitory Factory	Yue (2022) Zhong Shan Shi Bu Dong Chan Quan Di No. 0233445	11,132.81
Total:		104,631.03

As advised by the client, portion of the properties Certificate No. 0234590, with a total gross floor area of approximately 11,914.51 sq.m. had been demolished on the valuation date.

4. Pursuant to two Construction Work Planning Permits dated 27 September 2022, Sandmartin Zhongshan is permitted to build with a total gross floor area of 175,274.78 sq.m. with details as below:

Certificate No.	Phase	Permitted Gross Floor Area (sq.m.)			Total
		Workshop/ Warehouse	Affiliated buildings	Car Parking Space	
442000202203826	2A	44,397.64	179.03	12,185.15	56,761.82
442000202203824	2B	44,397.64	–	–	44,397.64
442000202203822	3	63,320.48	–	10,794.84	74,115.32
Total		152,115.76	179.03	22,979.99	175,274.78

5. Pursuant to various Construction Work Commencement Permits in favors of Sandmartin Zhongshan, the construction works of the Development with a total gross floor area of approximately 175,115.32 sq.m. is in compliance with construction work requirements and have been permitted to commence with details as below:

Certificate No.	Issued Date	Phase	Gross Floor Area (sq.m.)
442000202210110301	11 October 2022	2A	56,761.82
442000202211230301	23 November 2022	2B	44,397.64
442000202212280601	28 December 2022	3	74,115.32
Total			175,115.32

As advised by the company, the total budgeted cost is at approximately RMB 418,131,788. As at the valuation date, the total occurred development costs was RMB16,268,998. In the course of our valuation, we have taken into account such development costs.

6. The Property is currently subject to various leases with latest expiring on 31 October 2039 for industrial purpose.
7. Pursuant to the PRC legal opinion, portions of the property located at No.10 Qianjin Road (total gross floor area of 11,132.81 sq.m.) was subject to a mortgage in favour of Zhongshan Huasuan Zhigu Industry Development Co., Ltd (中山市華算智谷產業發展有限公司) and Zhongshan Branch of China Guangfa Bank Co. Ltd (廣發銀行股份有限公司中山分行); and other portions of the property located at No.16 Qianjin Er Road (total gross floor area of 93,498.22 sq.m.) was subject to a mortgage in favour of Zhongshan Branch of China Guangfa Bank Co. Ltd (廣發銀行股份有限公司中山分行). We have not taken into account such mortgage in our valuation.

8. We have been provided with a legal opinion by the Group's PRC legal advisor, Anli Partners, regarding the legal title of the property, which contains, inter alia, the followings:
- i. the property including land and buildings are legally held by Sandmartin Zhongshan;
 - ii. Sandmartin Zhongshan is entitled to transfer, lease, mortgage or dispose of the property (land and buildings) freely in the market;
 - iii. For the construction in progress, the construction planning permit and construction commencement permit is valid, no major violations of laws and regulations related to construction and planning was found; and
 - iv. There are some buildings and structure erected in the site which has not been granted with real estate title certificate, the lawyer has the opinion that for any illegal buildings that have not been approved need to be demolished or apply for redevelopment. If not, the company may be punished for such non-compliant construction. According to the Urban and Rural Planning Law, the fine is not less than 5% but not more than 10% of the total construction cost. In our valuation, we have not taken into account such buildings.

Group II – Properties held by the Group in the Taiwan

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market value as at 31 March 2023 TWD
2	Four office units Nos.4-7 on 14/F, two carparking spaces on Basement 3, located at No.1071 Zhongzheng Road, No. 60, Zhongpu Section, Taoyuan District, Taoyuan City, Taiwan	<p>The property comprises four office units on level 14 and two carparking spaces on basement 3 of a 20-storey office building erected on a parcel of land with a site area of approximately 3,735.00 sq.m. (40,203 sq.ft.) completed in about 1992.</p> <p>The gross floor area of four office units and two carparking spaces are approximately 760.14 sq.m. (8,182.08 sq.ft.) and 62.90 sq.m. (677.05 sq.ft.) respectively.</p> <p>The classification of the property is residential area with usage for office and car parking/air-raid shelter.</p>	As advised, portions of the property are currently subject various leases while the remaining portions are owner-occupied.	68,970,000 (NEW TAIWAN DOLLARS SIXTY EIGHT MILLION AND NINE HUNDRED SEVENTY THOUSAND ONLY)

Notes:

1. Pursuant to Land Searched Records searched on 06 April 2023, the registered owner of the property (see details below) is Pro Brand Technology (TW) Inc., which is interested as to 59.1% by the Company, 0.85% by Mr. Chen Wei Chun (an executive Director), 0.57% by Mr. Hung (an executive Director), 1.5% by Mr. Hung Chih Chun (son of Mr. Hung), 0.13% by Ms. Chen Mei Huei (spouse of Mr. Hung) and 37.85% by other investors (Independent Third Parties).

Certificate Nos.	Approximate Gross Floor Area (sq.m.)	Floor	Usage	Registration Date
095 Tao Zi Di Zi Di No.064578	64.98	1	Land	25/12/2006
095 Tao Zi Jian Zi Di No.037431	192.42	14	Office	25/12/2006
095 Tao Zi Jian Zi Di No.037430	182.00	14	Office	25/12/2006
095 Tao Zi Jian Zi Di No.037429	182.00	14	Office	25/12/2006
095 Tao Zi Jian Zi Di No.037428	203.72	14	Office	25/12/2006
095 Tao Zi Jian Zi Di No.037432	62.90	-3	Carparking/ air-raid shelter	25/12/2006

2. According to Land Searched Records searched on 06 April 2023, the property has been granted with the right to apply for a mortgage in favor of Land Bank of Taiwan Co. Ltd. (臺灣土地銀行股份有限公司) with a maximum amount of NTW44,400,000. However, we have not taken into account into such mortgage in our valuation.
3. We have been provided with a legal opinion dated 24 April 2023 by the Group's Taiwan legal advisor, KPMG Taiwan, regarding the legal title of the property, which contains, inter alia, the followings:
 - i. the property are legally held by Pro Brand Technology (TW) Inc.; and
 - ii. Pro Brand Technology (TW) Inc. is entitled to transfer, lease, mortgage or dispose of the property (land and buildings) freely in the market.