



## Valuation Report

Sino-Ocean Group Holding Limited

A Development Site for a Proposed Development to be known as INDIGO II, Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the People's Republic of China

Valuation as at 30 April 2024

27/F, One Island East, Taikoo Place,  
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25 June 2024

The Directors  
**Sino-Ocean Group Holding Limited**  
Suite 601, One Pacific Place  
88 Queensway  
Hong Kong

Dear Sirs,

**RE: A DEVELOPMENT SITE FOR A PROPOSED DEVELOPMENT TO BE KNOWN AS INDIGO II, TUOFANGYING VILLAGE, JIANGTAI TOWN, CHAOYANG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

#### **INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with the instructions of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司) (the "Company") for us to value the captioned property (the "Property") in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation report) in which the Company and/or its subsidiaries (together referred to as the "Group") have interests, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 April 2024 (the "Valuation Date").

#### **VALUATION BASIS**

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("HKIS") is defined as "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".

Our valuation of the Property is on an entirety interest basis.

## VALUATION ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of The Hong Kong Limited and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the Property, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), Jincheng Tongda & Neal Law Firm, regarding the titles to the Property and the interests of the Company in the Property in the PRC. Unless otherwise stated in the legal opinion provided for the Property in the PRC, in valuing the Property, we have assumed that the Company has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired land use term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

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

## METHOD OF VALUATION

The Property is currently under construction and we have valued on the basis that the Property is to be developed and completed in accordance with the Company's latest development proposal provided to us. We have firstly assessed the development value as if completed of each constituent portion of the Property. The development value as if completed represents our opinion of the aggregate value of each constituent portion of the development assuming it would have been completed at the Valuation Date. In arriving at the final value of the Property, we have also taken into account the development costs incurred and the costs that will be incurred to complete the development.

Market Comparison Method is a method of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. However, this method has limitation for application especially in the event that

relevant property transactions are few and the nature of properties are not uniform. Due to scarcity of transactions of properties under construction or en-bloc completed properties, Market Comparison Method is not used. In assessing the development value as if completed of the retail and office portions of the Property, we have used Investment Method which is capitalising the market rent of each constituent portion of the Property at an appropriate capitalisation rate.

When using Investment Method, we have mainly made reference to lettings of other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, trade mix, size, time and other relevant factors.

The capitalisation rates adopted in our valuation are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the property type, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

We have valued the development value as if completed of the hotel portion of the Property by Discounted Cash Flow (“DCF”) Method. DCF Method is to discount future net cash flow after operation-related and property-related capital taxes (i.e. net operating income) of the Property for a certain forecast period and the anticipated net operating income receivable thereafter being capitalised at an appropriate terminal capitalisation rate until the end of the respective unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared the cash flow forecast for 10 years with reference to the current and anticipated market conditions.

The discount rate adopted in DCF Method reflects the rate of return required by a third party investor for an investment of similar use type. In determining the discount rate which reflects the inherent risks associated with investment in the Property, we take into consideration compensation for risks inherent in future cash flows, inflation, revenue growth, our understanding of the return expected by investors for similar properties as well as the level of discount rates used in valuations of similar types of properties. The discount rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

In determining the terminal capitalisation rate for assessing the terminal value, we have had due regard, among other things, to (i) our analyses of known sales transactions of properties of similar use types, or (ii) where transactions of properties of similar use types are not available, the discount rate we have adopted, our forecasted change in revenue over the 10-year forecast period, and the duration of the remaining land use term of the Property. The terminal capitalisation rate adopted is reasonable and in line with the market norm having regard to the relevant analyses.

For properties with specific nature and lack of sales transactions of the same characteristics in the vicinity, Cost Approach may be employed. Cost Approach is to provide an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. However, considering the Property's income-generating potential and alignment with the general market practice, we considered such method is not appropriate.

#### **SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, development proposal, development time schedule, development costs, site and floor areas, site and floor plans, number of guest rooms and parking spaces, facilities, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

#### **TITLE INVESTIGATION**

We have been provided by the Company with copies of documents in relation to the current title to the Property. However, we have not been able to conduct searches to verify the ownership of the Property and we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the Company and the PRC legal opinion.

#### **SITE INSPECTION**

Our Assistant Manager of Beijing Office, Gavin Guan, inspected the exterior, and where possible, the interior of the Property on 11 January 2024. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will

be incurred during the construction period. Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

#### **CURRENCY**

Unless otherwise stated, all monetary sums stated in our valuation is in Renminbi (“RMB”) which is the official currency of the PRC.

#### **OTHER DISCLOSURE**

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **INTENDED USE OF REPORT**

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We attach herewith our valuation report.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**



**Grace S.M. Lam**  
*MHKIS, MRICS, RPS (GP)*  
*Senior Director*  
*Valuation & Advisory Services, Greater China*

#### *Notes:*

- (1) Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.
- (2) \* *Company name in English translation for identification only.*

## VALUATION REPORT

### Property held by the Company under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2024
A development site for a proposed development to be known as INDIGO II, Tuofangying Village, Jiangtai Town, Chaoyang District, Beijing, the PRC	<p>The Property comprises a site of 78,298.68 sq.m. for a proposed mixed-use development to be known as INDIGO II.</p> <p>As advised by the Company, the development will comprise seven 16-storey office buildings, a 4-storey retail podium, an 18-storey hotel providing 318 rooms and a total of 1,821 car parking spaces.</p>	As at the Valuation Date, the Property was under construction and estimated to complete in phases, mostly in 2025 to 2026, the latest in 2027.	<p>RMB12,168,000,000</p> <p>(RENMINBI TWELVE BILLION ONE HUNDRED AND SIXTY EIGHT MILLION)</p> <p>(64.79% interest attributable to the Company: RMB7,883,647,200)</p>

Details of the planned gross floor areas as follows:

Use	Planned Gross Floor Area (sq.m.)
Office	280,972.02
Commercial	82,646.62
Hotel	32,218.78
Storage	7,966.98
Car parks (Non-civil defence)	58,016.95
Others	102,895.58
<b>Total</b>	<b>564,716.93</b>

The land use rights of the Property have been granted for terms of 40 years due to expire on 8 July 2060 for commercial uses, and 50 years due to expire on 8 July 2070 for office, underground storage and underground parking uses.

The Property is situated in Chaoyang District. The immediate neighbourhood is mainly dominated by commercial developments and industrial parks. Upon its completion, it is expected to connect with Metro Line No. 14 directly. The Property is approximately 15-minute drive to Beijing's central business district and 30-minute drive to Beijing Capital International Airport.

*Notes:*

- (1) According to two Real Estate Title Certificates issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee) (the "Grantor"), the land use rights of the Property have been vested in 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) (the "Grantee") with details as follows:

Certificate No.	Land Use Term Expiry Date	Site Area (sq.m.)
(2020)0055444	Underground storage: 8 July 2070 Underground parking: 8 July 2070 Office: 8 July 2070 Commercial: 8 July 2060	44,298.68
(2020)0055443	Underground storage: 8 July 2070 Underground parking: 8 July 2070 Office: 8 July 2070 Commercial: 8 July 2060	34,000.00
<b>Total:</b>		<b><u>78,298.68</u></b>

It is worth noting the following covenants:

- (a) The sites serve as green belts from the neighbouring park.
  - (b) The sites must be used for developing real estate property for self-sustainable operation.
  - (c) The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights.
  - (d) Upon expiry of the land use terms, the land use rights will be reverted to the central government.
- (2) According to two Grant Contracts of State-owned Land Use Rights and their Supplementary Agreements dated 9 July 2020, the land use rights of the property have been contracted to be granted to 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) with salient details as follows:

Contract Number	: Jing Di Chu (He) (2020) 0081 (Land Plot 2) Jing Di Chu (He) (2020) 0082 (Land Plot 1)
Land Use	: Commercial, office, underground parking, underground storage (serve as green belt)
Site Area	: 34,000 sq.m. (Land Plot 2) 44,298.68 sq.m. (Land Plot 1) 78,298.68 sq.m. (total)
Land Use Term	: 40 years for commercial (serve as green belt) 50 years for office, underground parking and underground storage (serve as green belt)



Permissible Gross Floor Area	:	254,500 sq.m. (Land Plot 2) 310,216.93 sq.m. (Land Plot 1) 564,716.93 sq.m. (total)
Land Premium	:	RMB780,465,070 (Land Plot 2) RMB1,061,654,377 (Land Plot 1) RMB1,842,119,447 (total)
Alienation Restriction	:	The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights.

- (3) According to four Planning Permits for Construction Works issued by 北京市規劃和自然資源委員會 (Beijing Planning and Natural Resources Committee), the construction works of the development are in compliance with the construction works requirements and have been approved with details as follows:

No.	Permit No.	Issue Date	Planned Gross Floor Area (sq.m.)
1	(2021)0041	30 December 2021	137,994.67
2	(2021)0042	30 December 2021	123,693.86
3	(2021)0043	30 December 2021	162,677.90
4	(2021)0044	30 December 2021	<u>140,350.50</u>
<b>Total:</b>			<b><u>564,716.93</u></b>

- (4) According to four Commencement Permits for Construction Works issued by 北京市朝陽區住房和城鄉建設委員會 (Beijing Chaoyang District Housing and Urban and Rural Development Committee), the construction works of the development are in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Permit No.	Issue Date	Planned Gross Floor Area (sq.m.)
1	(2020)0490	9 September 2020	121,840.00
2	(2020)0493	9 September 2020	132,660.00
3	(2020)0494	9 September 2020	113,618.45
4	(2020)0491	9 September 2020	<u>196,598.48</u>
<b>Total:</b>			<b><u>564,716.93</u></b>

- (5) As advised by the Company, upon completion of the development, a total gross floor area of 20,000 sq.m. will be delivered to the local township government upon its request subject to compensation.
- (6) As advised by the Company, the incurred construction cost as at the Valuation Date was approximately RMB2,129,000,000. The estimated outstanding construction cost to complete the development as at the Valuation Date was approximately RMB5,980,000,000. In the course of our valuation, we have taken into account such costs.

(7) The development value of the Property as if completed as at the Valuation Date was RMB21,427,000,000 (exclusive of value-added tax).

(8) The reconciliation between development value as if completed and market value in existing state:

		RMB
Development value as if completed	(a)	21,427,000,000
Adjustments made below:		
Estimated total construction cost		8,109,000,000
Expended construction cost as at the Valuation Date		2,129,000,000
Allowance for outstanding construction cost	(b)	5,980,000,000
Allowance for administrative and profession fees	(c)	359,000,000
Allowance for interest cost	(d)	1,396,000,000
Allowance for developer's profit and risk to further complete the development	(e)	1,524,000,000
Market value in existing state (a) – (b) – (c) – (d) – (e)		12,168,000,000

(9) According to Business Licence No. 911101053484670581 dated 17 January 2022, 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) (the "Project Company") was established on 8 July 2015 as a limited company with a registered capital of RMB9,500,000,000 for a valid operating period from 12 January 2021 to 11 January 2051.

As advised by the Company, the shareholders of 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) are 緻港有限公司 (Shiny Harbour Limited) which holds 35% of the equity of the Project Company, 北京穎煜企業管理諮詢有限公司 (Beijing Yingyu Enterprise Management Consulting Co., Ltd.) which holds 35% of the equity of the Project Company, 天津頤港通企業管理有限公司 (Tianjin Yigangtong Enterprise Management Co., Ltd.) which holds 29.7866% of the equity of the Project Company, and 北京星泰泓信資產管理有限公司 (Beijing Xingtai Hongxin Asset Management Co., Ltd.) which holds 0.2134% of the equity of the Project Company.

(10) We have been provided with a legal opinion issued by the Company's Legal Adviser, which contains, *inter alia*, the following information:

- (a) Shareholders of 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) are 緻港有限公司 (Shiny Harbour Limited), holding 35% of the equity of the Project Company, 北京穎煜企業管理諮詢有限公司 (Beijing Yingyu Enterprise Management Consulting Co., Ltd.) holding 35% of the equity of the Project Company, 天津頤港通企業管理有限公司 (Tianjin Yigangtong Enterprise Management Co., Ltd.) holding 29.7866% of the equity of the Project Company, and 北京星泰泓信資產管理有限公司 (Beijing Xingtai Hongxin Asset Management Co., Ltd.) holding 0.2134% of the equity of the Project Company;
- (b) The holder of the real estate title must hold and operate the real estate property and must not transfer or dispose of the real estate property or the equity interest, or modify the planned land uses without prior permission of the Grantor. Any breach of the above may render the Grantee to re-enter the sites and take possession of the land use rights;
- (c) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has legally obtained and is the legal owner of the land use rights of the Property;
- (d) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has obtained all approvals and permissions for obtaining the land use rights of the Property;
- (e) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) has fully settled the land premium;

- (f) 北京星泰通港置業有限公司 (Beijing Xingtaitonggang Properties Company Limited) is entitled to legally occupy, use and lease the land use rights of the Property;
- (g) The sites serve as green belts; and
- (h) The Property is subject to a legal charge for a term loan commencing on 26 January 2021 and expiring on 25 January 2041.
- (11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC Legal Adviser:

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights and Supplementary Agreement	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Business Licence	Yes

- (12) We have identified relevant rental comparables in the nearby developments. Comparable properties are selected based on the following criteria: (i) comparable properties are located in Beijing; (ii) comparable properties were transacted within the past 12 months; and (iii) the type of the comparable properties is similar to the Property (retail/office properties).

#### Retail

We have identified four relevant retail rental comparables; the unit rents of these comparable properties range from about RMB540 per sq.m. per month to RMB730 per sq.m. per month.

The rental comparables details are listed below:

No.	Retail Rental Comparable	Location	Leased Area (sq.m.)	Asking Unit Rent (RMB/sq.m./ month)
1	Wanke Times Centre — Wangjing	Beijing	35	543
2	Jiajingtiancheng	Beijing	300	536
3	Wangjing International Commercial Centre	Beijing	33	727
4	Baoxinghuating	Beijing	89	540

In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects including but not limited to location, size, quality, other physical characteristics between the Property and the comparable properties. The general basis of adjustment is that if the Property is better than the comparable properties, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

The adjustments made to arrive at our valuation include but not limited to:

Adjustment	Range
Nature	-2%
Location & Accessibility	+ 13% to + 19%
Quality	+ 10% to + 20%
Market Position & Customer Base	+ 11% to + 19%
Theme	+ 15% to + 20%
Quantum	-5% to 0%

In terms of nature, as all the comparables are asking rents, downward adjustments are applied.

All the comparables are upward adjusted due to the inferior location and accessibility compared to the Property.

In terms of quality, market position and customer base, and theme, the Property is better than all comparables, thus upward adjustments are applied.

Comparable 2 has similar size as the typical units of the Property, thus no adjustment is needed while Comparables 1, 3 and 4 are smaller than the typical units of the Property, downward adjustments are applied.

We have assigned equal weighting to the four comparables after due adjustments. The average unit market rent of the retail portion is RMB609 per sq.m. per month.

#### Office

We have identified four relevant office rental comparables; the unit rents of these comparable properties range from about RMB320 per sq.m. per month to RMB430 per sq.m. per month.

The rental comparables details are listed below:

No.	Office Rental Comparable	Location	Leased Area (sq.m.)	Asking Unit Rent (RMB/sq.m./ month)
1	Jinfai Building	Beijing	436	319
2	China Life Financial Centre	Beijing	6,600	375
3	Air China Group Tower	Beijing	1,500	360
4	CITIC Tower	Beijing	2,000	432

In arriving at the key assumptions, appropriate adjustments and analysis are considered to reflect the differences in several aspects including but not limited to location, size, floor, quality and other physical characteristics between the Property and the comparable properties. The general basis of adjustment is that if the Property is better than the comparable properties, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

The adjustments made to arrive at our valuation include but not limited to:

Adjustment	Range
Nature	-2%
Location & Accessibility	-12% to -1%
Age & Quality	+ 8% to + 9%
Quantum	-2% to + 10%
Floor	-2% to + 2%

In terms of nature, as all the comparables are asking rents, downward adjustments are applied.

All the comparables are downward adjusted due to the superior location and accessibility compared to the Property.

The Property has superior quality and younger building age than all the comparables, thus upward adjustments are applied.

Comparable 1 is downward adjusted due to smaller in size compared to the typical units of the Property and Comparables 2, 3 and 4 are upward adjusted due to larger in size compared to the typical units of the Property.

Downward floor adjustment is applied to Comparable 3 as it is in high zone. Upward floor adjustment is applied to Comparable 2 as it is in low zone. No adjustment is made to Comparables 1 and 4 as they are in middle zone.

We have assigned equal weighting to the four comparables after due adjustments. The average unit market rent of the office portion is RMB365 per sq.m. per month.

Based on our independent adjustment of the rental comparables as mentioned above, we are of the view that our opinion of the market rents of the Property are fair and reasonable.

- (13) The development value as if completed of the hotel portion arrived by DCF Method is RMB1,169,000,000. We have made reference to the prevailing average daily room rate and occupancy rate of hotels in Beijing in the range of RMB1.330 to RMB1.680 per night and 40% to 60% subject to the scale and operation of the hotel.

The adopted discount rate and terminal capitalisation rate are 9.00% and 6.00% respectively when valuing the development value as if completed of the hotel portion of the Property. The adopted average daily room rate and the occupancy rate in year 1 of the cashflow analysis of the said portion are approximately RMB1,100 per night and 50% respectively.

- (14) The development values as if completed of the retail, office and car parking space portions arrived by Investment Method are RMB4,132,000,000, RMB15,632,000,000 and RMB494,000,000 respectively. We have capitalised the adopted market rents as described in Note (12) at appropriate capitalisation rates.

In the course of our valuation, we have adopted capitalisation rates of 6.00% and 6.25% in valuing the development value as if completed of the retail and office portions of the Property respectively, having regard to analysis of the rates of return of relevant market segment which indicate yields ranging mostly from 5.70% to 6.40% for retail premises and 6.20% to 6.50% for office premises respectively, with due allowance for rental incentives at the beginning of the rental operation of the Property.