

Asset Appraisal Limited
中誠達資產評估顧問有限公司

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VALUATION REPORT

PROPERTIES SITUATED IN THE PRC

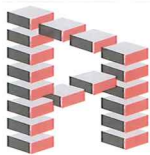
**AS AT
31 MARCH 2020**

FOR

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

**PREPARED BY
ASSET APPRAISAL LIMITED
26 MAY 2020**

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Our Ref. : AAL/AC/10246/20

26 May 2020

The Board of Directors

Century Sunshine Group Holdings Limited

Suite 1104, 11th Floor

Tower 6, The Gateway

9 Canton Road

Tsim Sha Tsui Kowloon

Hong Kong

Dear Sirs,

Re: Valuation of Properties situated in the People's Republic of China (the "PRC")

In accordance with the instructions from **Century Sunshine Group Holdings Limited** (the "**Company**") to value the property interests (the "**Properties**") held by the Company or its subsidiaries (altogether referred to as the "**Group**"), we confirm that we have carried out inspection 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 **31 March 2020** (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Properties represents its 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".

TITLESHIP

We have been provided with copies of legal documents regarding title to the Properties. However, we have not verified ownership of the Properties and to ascertain any amendment which may not appear on the copies handed to us.

We have also relied upon the legal opinion issued by the PRC legal advisers, namely (Global Law Office) (the "**PRC Legal Opinion**") on 22 May 2020, to the Company on the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

Having considered the general and inherent characteristics of the buildings and structures of the properties numbered 1 to 6, we have adopted the depreciated replacement cost (DRC) approach which is an application of the cost approach in valuing specialised properties like the properties under consideration. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation costs and those public utilities connection charges to the Properties. The market value of the land use rights of the Properties has been determined from market-based evidences by analysing similar sales or offerings of comparable land parcels. The underlying theory of this basis is the market value of the appraised property should, at least, be equivalent to the replacement cost of the remaining service potential of the appraised property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market bases.

The values of these properties as determined using cost approach is subject to the test of adequate potential profitability of the business or cash generating unit employing the Properties and other relevant operating assets under the Hong Kong Accounting Standard 36 Impairment of Assets.

For properties numbered 7 to 10, we have adopted the market approach by making use of the comparison method where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market in their existing states 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 Properties.

As the Properties are held by the Group by means of long term land use rights granted by the PRC Government, we have assumed that the Group has free and uninterrupted rights to use the Properties for the whole of the unexpired term of land use rights.

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 nor for any expenses or taxation which may be incurred in holding them. 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 Company 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 site and floor areas in respect of the Properties but have assumed that the site areas and the floor areas shown on the documents and official plans 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 last inspected on between 20 April 2020 and 28 April 2020 by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures 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.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company 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.

REMARKS

In valuing the Properties, we have complied with all the requirements contained in Rule 11 of Takeovers Code, Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

All market values of the Properties are denominated in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited



Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He 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 Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 31 March 2020 RMB	Interest attributable to the Company as at 31 March 2020 %	Value of property interest attributable to the Company as at 31 March 2020 RMB
Property interests held by the Group for self occupation			
1. Production Base at Zhang Zhuang Village, Qiao Xi Tou Village and Hua Bu Quan Village Luo Zhuang District Linyi City Shandong Province, the PRC (山東省臨沂市羅莊區張莊村、 橋西頭村及花埠圈村電廠路)	129,100,000	100%	129,100,000
2. Production Base at the south of Chang Jiang Boulevard, the north of Zhen Nan Road and the west of Feng Shou Boulevard Rui Chang City Jiangxi Province, the PRC (江西省瑞昌市長江大道南側、 鎮南路北側、豐收大道西側)	63,970,000	100%	63,970,000
3. Production Base at No. 99 Niu Xu Road, Shan Zuo Kou Xiang, Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣山左口鄉 牛徐路99號)	111,200,000	100%	111,200,000

Property	Market value in existing state as at 31 March 2020 RMB	Interest attributable to the Company as at 31 March 2020 %	Value of property interest
			attributable to the Company as at 31 March 2020 RMB
4. Freight Railway Station at Hong Zhuang Zhen Station Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣洪莊 鎮駐地)	13,100,000	100%	13,100,000
5. Production Base at Hu Xia Village, Liu Dao Jiang Zhen Hun Jiang District, Baishan City Jilin Province, the PRC (吉林省白山市渾江區六道江鎮湖 下村)	63,000,000	72.31%	45,555,300
6. Production Base at Heavy Industrial Processing Area Hami Heavy Industrial Park Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市工業 園區重工業加工區)	33,280,000	72.31%	24,064,768
7. House No. 8 Jun Min Lane Tianshan Bei Road, Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市天山 北路軍民巷)	No commercial value	72.31%	No commercial value

Property	Market value in existing state as at 31 March 2020 RMB	Interest attributable to the Company as at 31 March 2020 %	Value of property interest
			attributable to the Company as at 31 March 2020 RMB
8. Unit 4 on Level 2, Block 103, Xing Ye Yuan Tianshan Bei Road, Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市天山 北路興業園)	340,000	72.31%	245,854
9. Unit No. 1501 on Level 15 and Unit No. 1801 on Level 18 Block No. 8 An Ding Hu Yi Hao at the south of Tong Cheng Boulevard Rui Chang City Jiangxi Province, the PRC (江西省瑞昌市銅城大道南側 安定湖一號)	1,560,000	100%	1,560,000
10. Unit Nos. 1001 and 1003 Block No. 7 Tian Yi Ju Heping Xi Road, Niu Shan Zhen Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣牛山鎮和 平西路天一居)	2,600,000	100%	2,600,000
Grand Total:	418,150,000		391,395,922

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 1	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Zhang Zhuang Village, Qiao Xi Tou Village and Hua Bu Quan Village Luo Zhuang District Linyi City Shandong Province, the PRC	<p>The Properties occupy a total of 9 contiguous land parcels with a total area of 648,587.58 square metres.</p> <p>The Properties are located approximately 20 kilometres at the southwest of the downtown of Linyi City. Immediate locality of the Properties is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a commercial and residential area.</p> <p>The subject land parcel is accommodating 140 major buildings and structures for administrative office, workshop, warehouse, laboratory, plant room and dormitory uses with a total gross floor area of 140,888.07 square metres completed in between 2001 and 2017.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on between 31 March 2023 and 4 January 2060 for industrial use.</p>	The Properties has been occupied and operated by the Group as the production base of fertilizer. As at the Valuation Date, production activities of the Properties have been halted.	129,100,000

Notes:

- As revealed from 2 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0040718 and 0041454) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 19,880 square metres together with some of the subject buildings with a total gross floor area of 1,694.31 square metres are held by Shandong Hongri Chemical Joint Stock Company., Ltd. ("Shandong Hongri", 山東紅日化工股份有限公司, a wholly-owned subsidiary of the Company) for industrial use for a land use right term expiring on 12 November 2026.
- As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0042569) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 114,271.55 square metres together with some of the subject buildings with a total gross floor area of 37,605.62 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 31 March 2023.
- As revealed from 2 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0041451 and 0041808) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 370,597.61 square metres together with some of the subject buildings with a total gross floor area of 91,234.65 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 2 November 2028.

4. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0039485) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 6,812.42 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 2 November 2028.
5. As revealed from 3 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0038383, 0038384 and 0040580) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 71,558 square metres together with some of the subject buildings with a total gross floor area of 9,211.49 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 June 2057.
6. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0038994) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 5,939 square metres together with some of the subject buildings with a total gross floor area of 1,142 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 June 2057.
7. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0040148) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 27,047 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 4 January 2060.
8. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0040849) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 15,605 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 4 January 2060.
9. As revealed from a Land Use Right Certificate (Ref No. Lin Luo Guo Yong (98) No. 0080) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 16,977 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 September 2028.
10. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
11. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Shandong Hongri has legally acquired the land use rights and the building ownership rights in the Properties.
 - ii. The land use rights are in the nature of granted land with a land use right term expiring on between 31 March 2023 and 4 January 2060 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iii. Shandong Hongri is the sole land use rights and building ownership right holder of the Properties and its interests in the Properties are free from defect.
 - iv. The Properties have been pledged for mortgage.
 - v. Shandong Hongri has legal, valid and complete land use rights and building ownership rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term..

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 2	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 <i>RMB</i>
Production Base at the south of Chang Jiang Boulevard the north of Zhen Nan Road and the west of Feng Shou Boulevard Rui Chang City Jiangxi Province the PRC	<p>The Properties occupy 8 contiguous land parcels with a total area of 533,012.70 square metres.</p> <p>The Properties are located at approximately 23 kilometres at the north of the downtown of Rui Chang City and is lying at the south river bank of the Changjiang River. Immediate locality of the Properties is residential/commercial mixed use in nature intermingling with some industrial establishments for production of chemicals and building materials.</p> <p>The subject land parcel is accommodating 12 buildings and structures for administrative office, workshop, warehouse and plant room uses with a total gross floor area of approximately 51,993 square metres completed in 2017.</p> <p>The land use rights of a portion of the subject land with an area of 407,211.70 square metres have been granted for a term of years expiring on between 24 May 2066 and 12 January 2067 for industrial use. The land use rights of the remaining portion the subject land with an area of 125,801.00 square metres have been granted for unspecified land use right term.</p>	The Properties are currently occupied and operated by the Group as the production base of fertilizer.	63,970,000 (see note 8 & 9 below)

Notes:

- As revealed from a Real Estate Right Certificate (Ref No. Gan (2016) Rui Chang Shi Bu Dong Chan Quan No. 0001244) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 46,832.72 square metres are held by Jiangxi Tianrui Fengshou Chemical Co., Ltd. ("Tianrui Fengshou", 江西天瑞豐收化工有限公司, a wholly-owned subsidiary of the Company) for industrial use for a land use right term expiring on 11 August 2066.
- As revealed from a Real Estate Right Certificate (Ref No. Gan (2016) Rui Chang Shi Bu Dong Chan Quan No. 0000628) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 272,171.28 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 24 May 2066.

3. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000667) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 8,300.00 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 12 January 2067.
4. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000668) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 35,754.50 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 12 January 2067.
5. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000391) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 19,607.80 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 28 November 2066.
6. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000392) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 24,545.40 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 28 November 2066.
7. As revealed from a Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010189) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 8,411.12 square metres are held by Tianrui Fengshou for industrial use for an unspecified land use right term.
8. As revealed from a Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010190) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 117,389.88 square metres are held by Tianrui Fengshou for industrial use for an unspecified land use right term. As confirmed via the PRC Legal Opinion, the land use right of this land portion are subject to a closure order for a term of 3 years expiring on 22 September 2022 (please see note 11(v) below). Our valuation of this land portion has been concluded disregarding any adverse impact on the property value arising from the closure order based on the confirmation of the Group that the closure order can be discharged without undermining its interests in the land parcel. For indicator purpose, the market value of the Properties excluding the aforesaid land portion of 117,389.88 square metres is represented by an amount of RMB49,880,000.
9. Building ownership certificate has not yet been issued to the subject buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB124,000,000 and such amount has been excluded from the market value of the Properties stated above.
10. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
11. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Tianrui Fengshou has legally acquired the land use rights in the Properties.

- ii. The land use rights are in the nature of granted land with a land use right term expiring in between May 2066 and January 2067 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
- iii. Tianrui Fengshou is the sole land use rights holder of the Properties and its interests in the Properties are free from defect.
- iv. The land use rights of a portion of the subject land with an area of 407,211.70 square metres (as mentioned in note 1 to 6 above) have been pledged for mortgage. The remaining portion of the subject land of the Properties is free from any mortgage loan.
- v. The land use rights of a portion of the subject land with an area of 117,389.88 square metres held by Tianrui Fengshou under the Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010190) are subject to a court seizure order for a term of 3 years pursuant to an asset freezing application approved by the Ruichang People's Court on 12 September 2019. During the valid period of the aforesaid court seizure order, Tianrui Fengshou is restricted from transferring, charging or disposing the concerned land portion.
- vi. Subject to the aforesaid court seizure order, Tianrui Fengshou has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term. The court seizure order restrained the concerned land portion from being transferred and mortgaged.
- vii. Tianrui Fengshou is applying for the Real Estate Ownership Certificate for the subject buildings and shall be entitled to legal, valid and complete rights to possess, use, transfer, lease and mortgage the subject buildings upon obtaining the building ownership rights.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 3	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at No. 99 Niu Xu Road Shan Zuo Kou Xiang, Dong Hai Xian Lianyungang City Jiangsu Province the PRC	<p>The Properties occupy a land parcel with an area of 222,464.70 square metres.</p> <p>The Properties are located at approximately 30 kilometres at the north-west of the downtown of Dong Hai Xian and 4 kilometres at the north east of the centre of Shan Zuo Kou Xiang. Immediate locality of the Properties is mainly agricultural in nature intermingling with some chemical plants.</p> <p>The subject land parcels is accommodating 3 buildings and structures for workshop, dormitory and plant room uses with a total gross floor area of square metres completed in 18,886.97 square metres.</p> <p>The land use rights of the subject land parcel have been granted for a term of years expiring on 10 June 2057 for industrial use.</p>	<p>The Properties are currently occupied and operated by the Group as the production base of fertilizer.</p>	<p>111,200,000</p> <p>(Please see note 2 below)</p>

Notes:

- As revealed from a Real Estate Right Certificate (Ref No. Su (2019) Dong Hai Xian Bu Dong Chan No. 0022598) issued by the Municipal Government of Dong Hai Xian, land use rights of the subject land parcel with an area of 222,464.70 square metres together with the 3 subject buildings with a total gross floor area of 18,886.97 square metres are held by Jiangsu Azureblue Technology Development Company Limited ("Jiangsu Azureblue", 江蘇湛藍科技開發有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 10 June 2057.
- In addition to the aforesaid 3 subject buildings with a total gross floor area of 18,886.97 square metres, there are additional structures used for workshops, warehouses, administrative office, staff dormitories and plant rooms with a total gross floor area of approximately 11,680 square metres are found erected on the subject land parcel. Building ownership certificate has not yet been issued to these additional buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB21,440,000 and such amount has been excluded from the market value of the Properties stated above. Jiangsu Azureblue and its related companies have carried out substructure works for revamping of environmental protection systems and fire safety systems and infrastructure construction works within and outside the site boundary of the subject land parcel for supporting their normal courses of production activities. These works have an aggregate net book value of approximately RMB227,800,000 as at 31 December 2019 and such amount has been excluded from the market value of the Properties as mentioned above.

3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax (VAT) at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
- i. Jiangsu Azureblue has legally acquired the land use rights and the building ownership rights in the subject land parcel of the Properties with a land area of 222,464.70 square metres and a total gross floor area of 18,886.97 square metres.
 - ii. Jiangsu Azureblue is the sole land use rights and building ownership right holder of the land parcel as mentioned in (i) above and its interests in the Properties are free from defect.
 - iii. Jiangsu Azureblue has legal, valid and complete land use rights in the subject land parcel with an area of 222,464.70 square metres and legal, valid and complete building ownership rights in the 3 subject buildings with a total gross floor area of 18,886.97 square metres and is allowed to possess, use, transfer, lease and mortgage the subject land parcel and the 3 subject buildings of the Properties throughout its unexpired land use right term.
 - iv. Under the PRC Urban Real Estate Administrative Law (中華人民共和國城市房地產管理法), Jiangsu Azureblue does not have any building ownership rights in those buildings and structures (other than the 3 subject buildings mentioned in 4(iii) above) erected on the subject land parcels without obtaining Real Estate Right Certificate and is not entitled to the rights to transfer, charge or dispose of those buildings and structures. In addition, under the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法), anyone who carries out construction work without obtaining Construction Work Planning Permit or without compliant with the planning conditions contained in the Construction Work Planning Permit may expose to the risk of being penalized by the relevant town planning authorities with demolition order or confiscation order towards the buildings and structures or the income generated from them. A fine with an amount not exceeding 10% of the construction costs of the concerned building works may be imposed as well.
5. The replacement cost of the buildings and structures with a total gross floor area of 11,680 square metres that may be subject to demolition order and penalty as mentioned in note 4(iv) above is estimated at RMB21,440,000 as at the Valuation Date. The estimated cost for demolishing the same buildings and structures as at the Valuation Date is approximately RMB175,000.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 4	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Freight Railway Station at Hong Zhuang Zhen Station Dong Hai Xian, Lianyungang City Jiangsu Province the PRC	<p>The Properties occupy a land parcel with a total area of 52,319.20 square metres.</p> <p>The Properties are located at approximately 25 kilometres at the south-west of the downtown of Dong Hai Xian. Immediate locality of the Properties is mainly rural in nature with some agricultural establishments. Various temporary structures are erected on the subject land parcel.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 10 June 2057 for industrial use.</p>	The Properties are currently occupied and operated by the Group for logistic purpose.	13,100,000

Notes:

1. As revealed from a Land Use Right Certificate (Ref No. Dong Guo Yong (2017) No. 1814062) issued by the Municipal Government of Dong Hai Xian, land use rights of the subject site with an area of 52,319.20 square metres are held by Jiangsu Azureblue Technology Development Company Limited ("Jiangsu Azureblue", 江蘇湛藍科技開發有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 10 June 2057.
2. We have ascribed no commercial value to the temporary structures of the Properties on the ground that they were constructed of short-lived materials and are being used as weather-resisting part of the power supply system within the Properties instead of permanent structures that were subject to planning approval and construction permit.
3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Jiangsu Azureblue has legally acquired the land use rights in the Properties.
 - ii. The land use rights are in the nature of granted land with a land use right term expiring on 10 June 2057 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iii. Jiangsu Azureblue is the sole land use rights of the Properties and its interests in the Properties are free from defect.
 - iv. The land use rights of the Properties have been pledged for mortgage.
 - v. Jiangsu Azureblue has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the land user rights of Properties throughout its unexpired land use right term.
 - vi. Jiangsu Azureblue does not have any building ownership rights in the temporary structures of the Properties.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 5	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Hu Xia Village Liu Dao Jiang Zhen Hun Jiang District Baishan City Jilin Province the PRC	<p>The Properties occupy a land parcel with an area of 200,000 square metres.</p> <p>The Properties are located approximately 20 kilometres at the south-west of the downtown of Baishan City. Immediate locality of the Properties is mainly industrial in nature where various industrial establishments for magnesium metal processing, chemical and construction material production can be found.</p> <p>The subject land parcel is accommodating 14 major buildings and structures for administrative office, workshop, warehouse, laboratory and plant room uses with a total gross floor area of 20,544.95 square metres completed in 2011.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 20 November 2056 for industrial use.</p>	The Properties are currently occupied and operated by the Group as a magnesium and magnesium alloy ingot processing plant.	63,000,000

Notes:

- As revealed from a Land Use Right Certificate (Ref No. Bai Shan Guo Yong (2007) No. 060010349) issued by the Land Resources Administration Bureau of Baishan City, the land use rights of subject site with an area of 200,000 square metres were granted to Baishan City Tianan Magnesium Resources Company Limited ("Baishan Tianan", 白山市天安金屬鎂礦業有限公司, a 72.31%-owned subsidiary of the Company) for industrial use for a term expiring on 20 November 2056.
- A total 14 sets of Building Ownership Certificate (Ref Nos. Bai Shan Fang Quan Zheng Bai BQ Zi Nos. 2012000818 to 2012000821 and 2012000825 to 2012000834) in relation to the 14 subject buildings with a total gross floor area of 20,544.95 square metres have been issued in the name of Baishan Tianan .
- Baishan Tianan has carried out infrastructure construction works outside the site boundary of the subject land parcels for supporting its normal course of production activities. These works have an aggregate net book value of approximately RMB86,000,000 as at the Valuation Date and such amount has been excluded from the market value of the Properties as stated above.
- We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the

Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.

5. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
- i. Baishan Tianan has legally acquired the land use rights and the building ownership rights in the Properties.
 - ii. The land use rights are in the nature of granted land with a land use right term expiring in November 2056 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iii. Baishan Tianan is the sole land use rights and building ownership right holder of the Properties and its interests in the Properties are free from defect.
 - iv. The Properties have been pledged for mortgage.
 - v. Baishan Tianan has legal, valid and complete land use rights and building ownership rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 6	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Heavy Industrial Processing Area Hami Heavy Industrial Park Hami City Xinjiang Autonomous Region, the PRC	<p>The Properties occupy a land parcel with an area of 679,121.28 square metres.</p> <p>The Properties are located approximately 20 kilometres at the south-west of the downtown of Hami City. Immediate locality of the Properties is mainly industrial in nature where various industrial establishments for mine processing, chemical and construction material production operations can be found.</p> <p>The subject land parcel is accommodating 34 major buildings and structures for administrative office, workshop, warehouse, laboratory and plant room uses with a total gross floor area of 64,419.35 square metres completed in between 2008 and 2014.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 25 November 2059 for industrial use.</p>	<p>The Properties are currently occupied and operated by the Group as a magnesium and magnesium alloy ingot processing plant.</p>	<p>33,280,000</p> <p>(see note 2 below)</p>

Notes:

- As revealed from a Land Use Right Certificate (Ref No. Ha Mi Shi Guo Yong (2011) No. 0054) issued by the Land Resources Administration Bureau of China, land use rights of subject site with an area of 679,121.28 square metres were granted to Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang", 新疆腾翔镁製品有限公司, a 72.31%-owned subsidiary of the Company) for industrial use for a term expiring on 25 November 2059.
- Building ownership certificate has not yet been issued to the subject buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB80,700,000 and such amount has been excluded from the market value of the Properties stated above. In addition, Xinjiang Tengxiang has carried out infrastructure construction works, substructure work for installation of production equipment within and outside the boundary of the subject site for supporting its normal course of production activities. These works have an aggregate net book value of approximately RMB77,800,000 as at 31 December 2019 and such amount has been excluded from the market value of the Properties stated above.
- We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.

4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
- i. Xinjiang Tengxiang has legally acquired the land use rights in the Properties.
 - ii. Due to historical issues, Xinjiang Tengxiang has not yet obtained the building ownership certificate for the subject buildings.
 - iii. The land use rights are in the nature of granted land with a land use right term expiring on 25 November 2059 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iv. Xinjiang Tengxiang is the sole land use rights holder of the Properties and its interests in the subject land parcel are free from defect.
 - v. The land use rights of the Properties have been pledged for mortgage.
 - vi. Xinjiang Tengxiang has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the land use rights throughout its unexpired land use right term. As Xinjiang Tengxiang has not yet obtained the building ownership certificates, it does not secure the legal rights of the subject buildings. In the absence of title proof, the subject building cannot be transferred or mortgaged by Xinjiang Tengxiang. In case where the subject buildings have been built without obtaining prior planning approval, it may expose to the risk of being ordered for demolishing the buildings within prescribed period. If demolition is not feasible, the Government authority may confiscate the buildings, all economic benefits generated from them and / or penalize the land owner an amount of not more than 10% of the construction costs of the buildings.
 - vii. Under the PRC Urban Real Estate Administrative Law (中華人民共和國城市房地產管理法), Xinjiang Tengxiang does not have any building ownership rights in all the buildings and structures erected on the subject land parcels without obtaining Real Estate Right Certificate and is not entitled to the rights to transfer, charge or dispose of those buildings and structures. In addition, under the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法), anyone who carries out of construction work without obtaining Construction Work Planning Permit or without compliant to the planning conditions contained in the Construction Work Planning Permit may expose to the risk of being penalized by the relevant town planning authorities with demolition order or confiscation order towards the buildings and structures or the income generated from them. A fine with an amount not exceeding 10% of the construction costs of the concerned building works may be imposed as well.
5. The replacement cost of the buildings and structures with a total gross floor area of 64,419.35 square metres that may be subject to demolition order and penalty as mentioned in note 4(vii) above is estimated at RMB80,700,000 as at the Valuation Date. The estimated cost for demolishing the same buildings and structures as at the Valuation Date is approximately RMB1,000,000.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 7	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
House No. 8 Jun Min Lane Tianshan Bei Road Hami City Xinjiang Autonomous Region the PRC	<p>The Property comprises a 3-storey townhouse completed in around 2000. It is falling within the downtown area of Hami City and immediate locality is mainly residential and commercial in nature.</p> <p>The gross floor area of the Property is 232.05 square metres.</p> <p>The Property have been granted for an unspecified land use right term.</p>	The Property is currently owner-occupied.	No commercial value (see note 2 below)

Notes:

1. Pursuant to a Property Sale and Purchase Agreement dated 28 April 2008 and a Supplement Property Sale and Purchase Agreement dated 14 January 2014, the Property was acquired by Lei Dian Bin (雷殿斌). As confirmed by the Company, Lei Dian Bin was acting as the authorized representative to execute the aforesaid Property Sale and Purchase Agreement on behalf of Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang", 新疆腾翔镁製品有限公司, a 72.31%-owned subsidiary of the Company).
2. As at the Valuation Date, Xinjiang Tengxiang has not yet obtained title certificate for the Property and therefore we have ascribed no commercial value to the Property. For indication purpose, subject to the issue of title certificate such that the Property is freely transferrable, the market value of the Property measured by market approach is represented by an amount of RMB975,000.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Xinjiang Tengxiang has legally acquired the Property.
 - ii. As Xinjiang Tengxiang has not yet obtained the title certificate, it does not secure the legal rights of the Property. In the absence of title proof, the Property cannot be transferred or mortgaged by Xinjiang Tengxiang.
 - iii. The Property was not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 8	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit 4 on Level 2 Block 103 Xing Ye Yuan Tianshan Bei Road Hami City Xinjiang Autonomous Region the PRC	<p>The Property comprises a residential unit within a 6-storey residential building completed in around 2000. It is falling within the downtown area of Hami City and immediate locality is mainly residential and commercial in nature.</p> <p>The gross floor area of the Property is 96.98 square metres.</p> <p>The Property have been granted for an unspecified land use right term.</p>	The Property is currently owner-occupied.	340,000

Notes:

1. As revealed from a Building Ownership Certificate (Ref No. Ha Shi Fang Quan Zheng Ha Mi Shi Zi No. 00092365) issued by the Real Estate Administrative Bureau of Hami City, building ownership rights of the Property are held by Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang", 新疆腾翔镁製品有限公司, a 72.31%-owned subsidiary of the Company) for residential use for an unspecified land use right term.
2. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Xinjiang Tengxiang has legally acquired the Property.
 - ii. Xinjiang Tengxiang is the sole owner of the Property and its interests in the Property are free from defect.
 - iii. Xinjiang Tengxiang has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the land user rights of Property.
 - iv. The Property was not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 9	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit No. 1501 on Level 15 and Unit No. 1801 on Level 18 Block No. 8 An Ding Hu Yi Hao at the south of Tong Cheng Boulevard Rui Chang City Jiangxi Province the PRC	<p>The Properties comprises 2 residential units within a 29-storey residential building completed in 2016. It is falling within a residential estate featured with high rise residential towers lying adjacent to the Anding Lake. The development is situated at approximately 5 kilometres at north east of the downtown area of Rui Chang City. Immediate locality is mainly residential in nature.</p> <p>The total gross floor area of the Property is 260.46 square metres.</p> <p>The Properties have been granted for a land use right term expiring on 31 October 2082 for residential use.</p>	The Property is currently owner-occupied.	1,560,000

Notes:

1. As revealed from 2 sets of Real Estate Right Certificate (Ref Gan (2019) Rui Chang Shi Bu Dong Chan Quan Nos. 0005385 and 0005414) issued by the Real Estate Title Registration Bureau of Rui Chang City, the Properties are held by Jiangxi Tianrui Fengshou Chemical Co., Ltd. ("Tianrui Fengshou", 江西天瑞豐收化工有限公司, a wholly-owned subsidiary of the Company) for residential use for a land use right term expiring on 31 October 2082. The property was acquired by Tianrui Fengshou on 1 January 2016 at a total consideration of RMB887,264.
2. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Tianrui Fengshou has legally acquired the Properties.
 - ii. Tianrui Fengshou is the sole owner of the Properties and its interests in the Properties are free from defect.
 - iii. Tianrui Fengshou has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the Property.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 10	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit Nos. 1001 and 1003 Block 7 Tian Yi Ju Heping Xi Road Niu Shan Zhen Dong Hai Xian Lianyungang City Jiangsu Province the PRC	<p>The Properties comprises 2 residential units within an 11-storey residential building completed in 2013. It is falling within a residential estate featured with medium rise residential building lying adjacent to the Xi Shuang Lake within the downtown of Dong Hai Xian. Immediate locality is mainly residential in nature.</p> <p>The total gross floor area of the Property is 292.88 square metres.</p> <p>The Properties have been granted for a land use right term of 70 years expiring on 14 December 2076 for residential use.</p>	The Property is currently owner-occupied.	2,600,000

Notes:

1. As revealed from the Real Estate Right Certificate (Ref Lian Fang Quan Zheng Niu Zi Nos. N00061453) issued by the Property Administrative Bureau of Dong Hai Xian, Unit No. 1001 of the Properties is held by Jiangsu Longteng Petrochemical Limited ("Jiangsu Longteng", 江蘇龍騰化工有限公司, a wholly-owned subsidiary of the Company).
2. As revealed from the Real Estate Right Certificate (Ref. Su (2020) Dong Hai Xian Bu Dong Chan Quan No. 0005319) issued by the Dong Hai Xian Natural Resources Administration and Town Planning Bureau, Unit No. 1003 of the Properties is held by Jiangsu Longteng.
3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Jiangsu Longten has legally acquired the Properties.
 - ii. Jiangsu Longten is the sole owner of the Properties and its interests in the Properties are free from defect.
 - iii. Jiangsu Longten has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the Property.
 - iv. The Properties were not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.