
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Leoch International Technology Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Leoch International Technology Limited

理士國際技術有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 842)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO INVESTMENT IN A TARGET COMPANY IN THE PRC AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Advisor to the Independent Board Committee and
Independent Shareholders



凱基金融亞洲 中華開發金控
KGI CAPITAL ASIA CHINA DEVELOPMENT FINANCIAL

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from KGI Capital Asia Limited, the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 34 of this circular.

A notice convening the EGM to be held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC on Friday, 12 August 2016 at 10:00 a.m. is set out on pages 114 to 115 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

18 July 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 6 June 2016 in relation to the Investment in the Target Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Battery Facilities”	environmental protection facilities, manufacturing facilities and inspection facilities for lead-acid batteries and reserve power batteries and related products
“Board”	the board of Directors of the Company
“business day(s)”	any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the PRC and Hong Kong
“Company”	Leoch International Technology Limited (理士國際技術有限公司), a company incorporated under the laws of the Cayman Islands on 27 April 2010 with limited liability and whose shares are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of approximately RMB121,065,300 payable by Zhaoqing Leoch to the Target Company pursuant to the Investment Agreement and in the manner set out therein
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC on Friday, 12 August 2016 at 10:00 a.m. to consider and, if thought fit, to approve the Investment Agreement and the transactions contemplated thereunder

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guangdong Marshall”	Guangdong Marshall Electric Vehicle Co., Ltd.* (廣東瑪西爾電動科技有限公司), a company established in the PRC with limited liability on 23 October 2010 and indirect wholly-owned by Mr. Dong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder
“Independent Financial Advisor”	KGI Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders (other than Mr. Dong and his associates) who are not required to abstain from voting at the EGM
“Investment Agreement”	an agreement dated 6 June 2016 entered into by the Zhaoqing Leoch, Guangdong Marshall and the Target Company, pursuant to which Zhaoqing Leoch has agreed to inject the Consideration into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

DEFINITIONS

“Latest Practicable Date”	11 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Master Alliance”	Master Alliance Investment Limited, a limited liability company incorporated in the British Virgin Islands on 7 April 2010 and wholly owned by Mr. Dong
“Mr. Dong”	Mr. Dong Li, an executive Director and the chairman of the Company, who through Master Alliance, is indirectly interested in approximately 74.03% of the total issued share capital of the Company and is hence a Controlling Shareholder of the Company
“Mr. Dong’s Associate”	Mr. Dong, Shenzhen Marshell Green Power Co., Ltd., Shenzhen Marshell Power Supply Co., Ltd., Shenzhen Marxon Power Supply Co., Ltd., Guangdong Marshell Electric Vehicle Co., Ltd., Shanghai Dongming Marshell Electric Vehicle Co., Ltd. and Shanghai Donmin Vehicle Co., Ltd. but excluding the Group
“Party/Parties”	a party or parties (as the case may be) to the Investment Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of share(s) of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd.* (肇慶理士瑪西爾電動車有限公司), a company established in the PRC with limited liability on 24 June 2014 and a direct wholly-owned subsidiary of Guangdong Marshall as at the Latest Practicable Date
“Zhaoqing Factory”	a factory constructed on the Zhaoqing Land for production-related purpose
“Zhaoqing Land”	the land located in the PRC at North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing land lot no. 441284001008GS00001* (肇慶高新區工業大街北面興隆五街南面地號441284001008GS00001)
“Zhaoqing Leoch”	Zhaoqing Leoch Battery Technology Co., Ltd.* (肇慶理士電源技術有限公司), a company established in the PRC with limited liability on 9 May 2005 and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

* *denotes an English translation of a Chinese name and is provided for identification purposes only*

LETTER FROM THE BOARD



Leoch International Technology Limited 理士國際技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

Executive Directors:

Mr. Dong Li

Ms. Zhao Huan

Mr. Philip Armstrong Noznesky

Independent non-executive Directors:

Mr. Cao Yixiong Alan

Mr. Liu Yangsheng

Mr. Lau Chi Kit

Dr. Gong Fangxiong

Registered Office:

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Workshop C, 33/F,

TML Tower

No. 3 Hoi Shing Road

Tsuen Wan

New Territories, Hong Kong

18 July 2016

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO INVESTMENT
IN A TARGET COMPANY IN THE PRC
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 6 June 2016.

LETTER FROM THE BOARD

On 6 June 2016 (after trading hours of the Stock Exchange), Zhaoqing Leoch (an indirect wholly-owned subsidiary of the Company) entered into an Investment Agreement with the Guangdong Marshall and the Target Company, pursuant to which Zhaoqing Leoch has agreed to inject approximately RMB121,065,300 into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company. Subject to satisfaction of the conditions precedent, the Consideration shall be satisfied by the Group through installment payment which will be used to settle the costs incurred for the construction and development of Zhaoqing Factory on Zhaoqing Land. As at the Latest Practicable Date, the Target Company holds the land use right in respect of Zhaoqing Land.

Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) details of the Investment Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from Independent Financial Advisor containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, in order to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

THE INVESTMENT AGREEMENT

Date	6 June 2016 (after trading hours of the Stock Exchange)
Parties	(a) Zhaoqing Leoch (an indirect wholly-owned subsidiary of the Company); (b) Guangdong Marshall; and (c) Target Company.
Transaction	Pursuant to the Investment Agreement, Zhaoqing Leoch has agreed to inject the Consideration into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company.

Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.

LETTER FROM THE BOARD

Consideration and
payment terms

Subject to satisfaction of the conditions precedent, the Consideration shall be satisfied by the Group through installment payment which will be used to settle the costs incurred for the construction and development of Zhaoqing Factory on Zhaoqing Land. Details of such installment payments are set out below:

Within 1 business day following the satisfaction of all the conditions precedent, the Target Company shall deliver to Zhaoqing Leoch a written payment demand notice (“**Payment Notice**”) and the Group shall:

- Pay RMB30 million within 30 business days upon receipt of the Payment Notice;
- Pay an additional RMB30 million within 60 business days upon receipt of the Payment Notice; and
- Pay the remaining balance of approximately RMB61,065,300 within 90 business days upon receipt of the Payment Notice.

Upon receipt of the payment set out above, the Target Company shall, based on the actual costs incurred for the construction and development of Zhaoqing Factory, make payments to Zhaoqing Leoch who will in turn pay the relevant contractors engaged for the construction and development of Zhaoqing Factory. Payment to Zhaoqing Leoch will take place within 30 days after the Target Company has received proof that payment of such construction and development costs have been made by Zhaoqing Leoch.

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiations amongst the Parties and with reference to the valuation reports prepared by an Independent Third Party certified valuer of Zhaoqing Factory and Zhaoqing Land, and the unaudited net asset value of the Target Company as at 31 December 2015. Based on the valuation reports, the net asset value of Zhaoqing Factory and Zhaoqing Land are approximately RMB121,065,300 and RMB39,624,700 respectively as at 19 May 2016. The unaudited net asset value of the Target Company is approximately RMB25,652,000 as at 31 December 2015. Payment of the Consideration will be funded by internal resources of the Group.

Conditions Precedent

Completion of the Investment Agreement is subject to various conditions being satisfied including the following:

- (a) the Investment Agreement and the transactions contemplated thereunder having been approved by the Board;
- (b) the Investment Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM; and
- (c) the receipt of all necessary approval(s) and/or consent(s) from the relevant governmental or regulatory bodies on the transactions contemplated pursuant to the Investment Agreement.

Pursuant to the Investment Agreement, none of the above conditions can be waived. If the conditions are not satisfied on or before 31 December 2016 (or such other date as the Parties may agree in writing), the Investment Agreement shall terminate and save for antecedents breach, the rights and obligations of each of the Parties shall cease and determine.

Completion

Completion will take place on a date on which all the conditions precedent to the Investment Agreement have been satisfied.

LETTER FROM THE BOARD

FURTHER INFORMATION OF THE GROUP AND THE PARTIES

The Group

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries. Zhaoqing Leoch is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Zhaoqing Leoch is principally engaged in the manufacture and sale of lead-acid batteries.

Guangdong Marshell

Guangdong Marshell is a company established in the PRC with limited liability and is wholly owned by Mr. Dong. Guangdong Marshell is principally engaged in the manufacture and sale of electric vehicles, mini-electric cars, electric scooters and lead acid battery facilities.

The Target Company

The Target Company is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Guangdong Marshell and is principally engaged in the leasing of property. As at the Latest Practicable Date, the Target Company holds the land use right in respect of Zhaoqing Land, which is located in the PRC at North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing with land lot no. 441284001008GS00001* (肇慶高新區工業大街北面興隆五街南面地號 441284001008GS00001). Upon completion of the Investment Agreement, 75.34% equity interest of the Target Company will be held by Zhaoqing Leoch. The Target Company had acquired the Zhaoqing Land in 2014 for a consideration of RMB25,875,000.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2014 and 2015 extracted from its financial statements prepared in accordance with the PRC accounting principles:

	For the year ended 31 December 2014 RMB'000 unaudited	For the year ended 31 December 2015 RMB'000 unaudited
Loss before tax and extraordinary items	13	210
Loss after tax and extraordinary items	13	210

LETTER FROM THE BOARD

	As at 31 December 2014	As at 31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	unaudited	unaudited
Total assets	25,882	25,882
Total liabilities	20	230
Net assets	25,862	25,652

Zhaoqing Land

Zhaoqing Land has a total area of 104,275.41 square meters. As at the Latest Practicable Date, the Target Company holds the land use right in respect of Zhaoqing Land, which is used as industrial land (as recorded in its real estate certificate).

After completion of the Investment Agreement, Zhaoqing Land will be held for owner occupation with its uses remain unchanged.

Zhaoqing Factory

Zhaoqing Factory consists of eight buildings with an aggregate construction area of 89,906.60 square meters. These buildings will be held for owner occupation and mainly used as office building, dormitory, warehouse and production site.

After completion of the Investment Agreement, Zhaoqing Factory will still be held for owner occupation with its uses remain unchanged.

The Target Company has not applied for the Certificate of Ownership for the eight buildings (which form part of Zhaoqing Factory) as these buildings are under construction. The Target Company expects that the construction of the eight buildings will be completed in or around October 2016. After the final stage of acceptance is completed by the local Housing and Urban Construction Department, the Target Company will apply for the Certificate of Ownership for Zhaoqing Factory in accordance with relevant PRC laws and regulations. Upon receipt of such Certificate of Ownership from the relevant PRC Government Authorities, the Target Company will possess legal and valid title of the eight buildings. Accordingly, the Target Company does not possess a legal and valid title of the eight buildings as of (i) the date of the Investment Agreement and (ii) the Latest Practicable Date.

LETTER FROM THE BOARD

According to the relevant PRC laws and regulations, in order to apply for Certificate of Ownership, relevant construction documents and other documents (including but not limited to land ownership documents and completion acceptance documents) shall be submitted after the completion of the final stage of acceptance. As of the Latest Practicable Date, the Target Company has submitted an application for the construction documents. As mentioned above, the Company will apply for the Certificate of Ownership upon the issuance of the relevant construction documents and the completion of the final stage of acceptance.

The Company's PRC legal advisor had confirmed that there is no legal impediment which will prevent the Target Company from obtaining the Certificate of Ownership from the relevant PRC Government Authorities when the construction documents are issued, and application for Certificate of Ownership along with construction documents and other documents (including but not limited land ownership document and completion acceptance documents) are submitted after the completion of the final stage of acceptance. Further, based on advice from the Company's PRC legal advisors, there is no non-compliance on the part of the Target Company in not obtaining the Certificate of Ownership prior to the completion of the construction of the eight buildings.

According to PRC law, relevant construction documents of a construction project should be obtained before the commencement of construction. However, Zhaoqing Factory had not obtained the relevant construction documents prior to commencement of the construction as the relevant documents could not be issued successfully and completely due to the separation of construction land and construction project. As mentioned above, as of the Latest Practicable Date, the application for relevant construction documents have been submitted. After such relevant construction documents are issued and the final stage of acceptance of Zhaoqing Factory is completed, the Target Company can then apply for the Certificate of Ownership of Zhaoqing Factory in accordance with PRC law by submitting the requisite documents.

Based on advice from the PRC legal advisor, once the local Construction Bureau confirms the receipt of the application for construction documents and with the condition that such application complies with the requirement of local Construction Bureau, there is no legal impediment preventing the Target Company from successfully obtaining the construction documents.

LETTER FROM THE BOARD

REASONS FOR BENEFITS OF ENTERING INTO THE INVESTMENT

The Group had previously entered into a land use right agreement dated 9 October 2013 with Guangdong Marshall to rent the Zhaoqing Land for production-related purpose for a term commencing from 24 February 2014 and expiring on 4 November 2063, which is subject to renewal upon expiry (“**Land Use Right Agreement**”). The Group will be constructing and developing the Zhaoqing Factory on the Zhaoqing Land and believe that such development will improve the value of the Zhaoqing Land. As a tenant of the Zhaoqing Land, the Group will have no interest and control over the Zhaoqing Land nor the Target Company (which owns the Zhaoqing Land). In the event that the Target Company or Mr. Dong disposes of the Zhaoqing Land, there is no assurance that the new owner will grant a lease over the Zhaoqing Land to the Group or on terms which are as favourable or more favourable than those provided by Mr. Dong and his associates. Accordingly, the Board considers that the execution of the Investment Agreement is in the interest of and beneficial to the Shareholders and the Group as a whole.

The Board (including the independent non-executive Directors) is of the view that (i) the terms of the Investment Agreement have been negotiated on an arm’s length basis, which are fair and reasonable; and (ii) the Investment Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Target Company and Guangdong Marshall are indirect wholly-owned subsidiaries of Mr. Dong, an executive Director and Controlling Shareholder of the Company and hence a connected person of the Company. As the Target Company and Guangdong Marshall are associates of Mr. Dong, each of the Target Company and Guangdong Marshall is deemed to be a connected person of the Company. Accordingly, the transactions contemplated under the Investment Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5%, the transactions contemplated under the Investment Agreement are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In addition, as one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5% but less than 25%, the transactions contemplated under the Investment Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Save for Mr. Dong who is an executive Director, none of the other Directors had abstained from voting at the meeting of the Board on the resolutions to approve the Investment Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Cao Yixiong Alan, Mr. Liu Yangsheng, Mr. Lau Chi Kit and Dr. Gong Fangxiong, has been formed to consider, and to advise the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the Investment Agreement. The letter from the Independent Board Committee is set out on pages 16 to 17 of this circular.

The Company has also appointed KGI Capital Asia Limited as the Independent Financial Advisor to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Advisor is set out on pages 18 to 34 of this circular.

EGM

Set out on pages 114 to 115 of this circular is a notice convening the EGM to be held at 10:00 a.m. on Friday, 12 August 2016 at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC at which relevant resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder.

Any connected persons or Shareholders with a material interest in the Agreement and the transactions contemplated thereunder and its/his/her associates will abstain from voting at the EGM. Mr. Dong and his associates are regarded as having a material interest in the Investment Agreement and the transactions contemplated thereunder, as such he and his associates are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the Investment Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best of the Director's knowledge, information and belief after having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the EGM.

LETTER FROM THE BOARD

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 11 August 2016 to Friday, 12 August 2016, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 August 2016.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the result of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account the letter from the Independent Financial Advisor) are of the view that the terms of the Investment Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms after arm's length negotiation between the parties thereto, fair and reasonable so far as the Company and Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Investment Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Completion of the Investment Agreement is conditional on the satisfaction of the conditions precedent described above. There is no assurance that the conditions precedent will be satisfied. Therefore, the Investment Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing with Shares of the Company.

By order of the Board
Leoch International Technology Limited
Mr. Dong Li
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Shareholders in respect of the Investment Agreement, which has been prepared for the purpose of inclusion in this circular.



Leoch International Technology Limited **理士國際技術有限公司**

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 842)

18 July 2016

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO INVESTMENT IN A TARGET COMPANY IN THE PRC

Reference is made to the circular of the Company dated 18 July 2016 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to consider the Investment Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Investment Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. KGI Capital Asia Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board as set out on pages 5 to 15 of the Circular, and the letter from the Independent Financial Advisor as set out on pages 18 to 34 of the Circular, which contains, inter alia, its advice and recommendation regarding the Investment Agreement with the principal factors and reasons for its advice and recommendation. Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having taken into account of the advice and recommendation of the Independent Financial Advisor, we consider that the Investment Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Investment Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Company and Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Investment Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee of

Leoch International Technology Limited

Mr. CAO Yixiong Alan

*Independent non-
executive Director*

Mr. LIU Yangsheng

*Independent non-
executive Director*

Mr. LAU Chi Kit

*Independent non-
executive Director*

Dr. GONG Fangxiong

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of Leoch International Technology Limited, prepared for inclusion in this circular.



凱基金融亞洲

中華開發金控
CHINA DEVELOPMENT FINANCIAL

KGI CAPITAL ASIA

41/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel: 2878 6888
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18 July 2016

*To the Independent Board Committee and the Independent Shareholders
Leoch International Technology Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO INVESTMENT IN A TARGET COMPANY IN THE PRC

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Investment Agreement and the transactions contemplated thereunder (together, the “**Transactions**”) and to advise the Independent Shareholders as to whether the Transactions are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Details of which are set out in the Letter from the Board (the “**Board Letter**”) contained in the circular to the Shareholders dated 18 July 2016 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Reference is made to the Announcement in relation to the Investment Agreement entered into by Zhaoqing Leoch, Guangdong Marshall and the Target Company on 6 June 2016, pursuant to which Zhaoqing Leoch has agreed to inject approximately RMB121,065,300 into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company.

As stated in the Board Letter, as at the Latest Practicable Date, the Target Company and Guangdong Marshall are indirect wholly-owned subsidiaries of Mr. Dong, an executive Director and Controlling Shareholder of the Company and hence a connected person of the Company. As the Target Company and Guangdong Marshall are associates of Mr. Dong, each of the Target Company and Guangdong Marshall is deemed to be a connected person of the Company. Accordingly, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect of the Transactions are higher than 5%, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios with respect of the Transactions are higher than 5% but less than 25%, the Transactions also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

An EGM will be convened by the Company at which relevant resolutions will be proposed to Independent Shareholders to consider and, if thought fit, approve the Transactions.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Cao Yixiong Alan, Mr. Liu Yangsheng, Mr. Lau Chi Kit and Dr. Gong Fangxiong, has been formed to consider, and to advise the Independent Shareholders on the Transactions, and to advise the Independent Shareholders as to whether the Transactions are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

We, KGI Capital Asia Limited, have been appointed as the Independent Financial Adviser to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders on the Transactions.

BASIS OF OUR OPINION

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company, the Directors and management of the Company in connection with the Transactions and have discussed with the management of the Company and the independent third party certified valuer, namely 廣東衡達房地產與土地評估有限公司, who performed the valuation work of the Zhaoqing Land and the Zhaoqing Factory (the “**Valuer**”) so as to assess the fairness and reasonableness of the Transactions.

We have also relied on the information, facts and representations contained or referred to in the Circular and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. We have also assumed that all statements of beliefs and opinions made by the Company and/or the Directors and/or the management of the Group in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Company and/or the Directors and/or the management of the Group will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and the opinions expressed. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the Transactions. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be capable of being implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date the Circular is dispatched.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

We have taken all reasonable steps pursuant to the Listing Rules including but not limited to the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the Transactions, including but not limited to, the Announcement, the Board Letter, the Investment Agreement, the valuation report in relation to the valuation of the Zhaoqing Land (the “**Land Valuation Report**”) and the valuation report in relation to the valuation of the Zhaoqing Factory (the “**Property Valuation Report**”) (and collectively, the “**Valuation Reports**”) prepared by the Valuer, the audited report of the Group for the two financial years ended 31 December 2015 (the “**2014 Annual Report**” and the “**2015 Annual Report**”, respectively) and the unaudited financial statements of the Target Company as at 31 March 2016;
- (b) reviewed the performance and financial situation of the Company and Target Company as well as the reasons and background of the Investment Agreement;
- (c) reviewed the terms of the Investment Agreement;
- (d) reviewed the fairness, reasonableness and completeness of the assumptions made in the Valuation Reports;
- (e) without limiting the generality of paragraph (d) above, in relation to the Valuer providing an opinion or valuation relevant to the Investment Agreement:
 - i. interviewed the Valuer including as to its expertise and any current or prior relationships with the Company, other parties to the Investment Agreement and connected persons of either the Company or another party to the Investment Agreement;
 - ii. understood on the scope of work of the Valuer, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer’s report, opinion or statement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

As set out in the section headed “Appendix III – General Information – 1. Responsibility Statement” of the Circular, the Directors collectively and individually accept full responsibility includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

Our opinion is based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company’s own decision to proceed with the Transactions. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular and for inspection purpose as set out in the section headed “Appendix III – General Information – 12. Documents Available for Inspection” of the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement, we have considered the principal factors and reasons set out below:

I. Background of the Investment Agreement

The Group and Zhaoqing Leoch

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries. Zhaoqing Leoch is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Zhaoqing Leoch is principally engaged in the manufacture and sale of lead-acid batteries and owns the Zhaoqing Factory.

Guandong Marshall

Guandong Marshall is a company established in the PRC with limited liability and is wholly owned by Mr. Dong. Guandong Marshall is principally engaged in the manufacture and sale of electric vehicles, mini-electric cars, electric scooters and lead acid battery facilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Target Company

The Target Company is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Guangdong Marshall and is principally engaged in the leasing of property. As at the Latest Practicable Date, the Target Company holds the land use right in respect of the Zhaoqing Land.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2014 and 2015 extracted from its financial statements prepared in accordance with the PRC accounting principles:

	For the year ended 31 December 2014 RMB'000 approximately unaudited	For the year ended 31 December 2015 RMB'000 approximately unaudited
Loss before tax and extraordinary items	13	210
Loss after tax and extraordinary items	13	210
	As at 31 December 2014 RMB'000 approximately unaudited	As at 31 December 2015 RMB'000 approximately unaudited
Total assets	25,882	25,882
Total liabilities	20	230
Net assets	25,862	25,652

Background

On 6 June 2016, Zhaoqing Leoch entered into the Investment Agreement with the Guangdong Marshall and the Target Company, pursuant to which Zhaoqing Leoch has agreed to inject consideration of RMB121,065,300 into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company. Subject to satisfaction of the conditions precedent, the Consideration shall be satisfied by the Group through installment payment which will be used to settle the costs incurred for the construction and development of Zhaoqing Factory on Zhaoqing Land. As at the Latest Practicable Date, the Target Company holds the land use right in respect of Zhaoqing Land.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

II. Terms of the Investment Agreement

Pursuant to the Investment Agreement, Zhaoqing Leoch has agreed to inject the Consideration into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company.

Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.

Key terms of the Investment Agreement are summarized as below:

Date: 6 June 2016 (after trading hours of the Stock Exchange)

Parties: (a) Zhaoqing Leoch (an indirect wholly-owned subsidiary of the Company);
(b) Guangdong Marshall; and
(c) Target Company.

Consideration

As stated in the Board Letter, the Consideration of RMB121,065,300 was determined after arm's length negotiations amongst the Parties and with reference to the Valuation Reports prepared by the Valuer. Based on the Valuation Reports, the net asset value of Zhaoqing Factory and Zhaoqing Land are approximately RMB121,065,300 and RMB39,624,700 respectively as at 19 May 2016.

Conditions Precedent Completion of the Investment Agreement is subject to various conditions being satisfied including the following:

- (a) the Investment Agreement and the transactions contemplated thereunder having been approved by the Board;
- (b) the Investment Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (c) the receipt of all necessary approval(s) and/or consent(s) from the relevant governmental or regulatory bodies on the transactions contemplated pursuant to the Investment Agreement.

Pursuant to the Investment Agreement, none of the above conditions can be waived. If the conditions are not satisfied on or before 31 December 2016 (or such other date as the Parties may agree in writing), the Investment Agreement shall terminate and save for antecedents breach, the rights and obligations of each of the Parties shall cease and determine.

As confirmed by the Company, as at the Latest Practicable Date, none of the conditions has been fulfilled.

III. Reasons and Benefits of Entering into the Investment Agreement

We note from the 2015 Annual Report, battery industry researchers forecasted global demand for primary and secondary batteries will rise in average at a pace of 7.8% per year to USD120 billion in 2019 and PRC will remain the largest national market for batteries. With reference to the 2015 Annual Report and the 2014 Annual Report, stable revenue growth was noted from the two financial years ended 31 December 2015 with revenue growth rate of approximately 16.5% and 1.9% for the financial years ended 31 December 2014 and 2015, respectively. We consider the Company may benefit from the growth of the battery industry in the near future.

Furthermore, as confirmed by the management of the Company, we note that the Company has decided to devote more resources, both financial and human resources, into the Company's battery business in order to remain competitive in the market. We consider this will enhance the Company's competitiveness in the market.

As stated in the Board Letter, the Group had previously entered into the Land Use Right Agreement with Guangdong Marshall, which is subject to renewal upon expiry. Through the acquisition of 75.34% interests in the Target Company (which owns the land use right in respect of Zhaoqing Land), the Group will have control over the Zhaoqing Land and the Zhaoqing Factory which will in turn ensure that the Group's use of the Zhaoqing Factory and Zhaoqing Land (including for production related purposes) will be stable and not disrupted through any uncertainty relating to the renewal of the Land Use Right Agreement. As discussed with the management of the Company, uncertainty on the renewal of Land Use Right Agreement will bring unnecessary negative impact to the Company's long term investment plan and strategic planning. As such, we concur with the management of the Company and consider the entering into of the Investment Agreement will facilitate and streamline the Company's long term investment plan and strategic planning.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

We have obtained the Land Use Right Agreement from the Company and we note that the Company rents the entire of the Zhaoqing Land from Guangdong Marshall for free. Although the Land Use Right Agreement will not expire until 4 November 2063, as discussed with the Company, the price of the Zhaoqing Land has increased by over 53% (the increase in land price at acquisition of the Zhaoqing Land by Guangdong Marshall on 4 November 2013 and the land price as valued by the Valuer) since 2013. The management of the Company considers the land price in the region will continue to increase in the near future and therefore decides to acquire control over the Zhaoqing Land and the Zhaoqing Factory. With reference to the historical land price increase of over 53% during the last three years in the region, we consider the Transactions are in the interests of the Company and the Shareholders as a whole.

As stated in the Board Letter, the Group will be constructing and developing the Zhaoqing Factory on the Zhaoqing Land and believe that such development will improve the value of the Zhaoqing Land. As a tenant of the Zhaoqing Land, the Group will have no interest and control over the Zhaoqing Land nor the Target Company (which owns the Zhaoqing Land). In the event that the Target Company or Mr. Dong disposes of the Zhaoqing Land, there is no assurance that the new owner will grant a lease over the Zhaoqing Land to the Group or on terms which are as favourable or more favourable than those provided by Mr. Dong and his associates.

We have discussed with the management of the Company on the development plan of the Company and we were confirmed by the Company that such stability of the manufacturing of lead-acid batteries, in terms of obtaining ownership and control over the Zhaoqing Land and the Target Company, is crucial to the competitiveness of the Company. We concur with the management of the Company that the capital injection in the Target Company would enhance the competitiveness of the Company's battery business and is, therefore, in the interests of the Company and the Shareholders as a whole.

We have obtained and reviewed the Investment Agreement from the Company. Also, we have discussed on the terms of the Investment Agreement with the management of the Company. The management of the Company confirmed that the terms of the Investment Agreement have been negotiated on arm's length basis and on normal commercial terms.

Given that (1) the global battery industry is growing stably in the near future; (2) the Company is benefiting from the growth of the battery industry; (3) the Company will enhance its competitiveness in the market by devoting more resources into the Company's battery business; (4) the capital injection in the Target Company would enhance the competitiveness of the Company's battery business; (5) the entering into of the Investment Agreement will facilitate and streamline the Company's long term investment plan and strategic planning; (6) the Company being in the interests of the Company and the Shareholders as a whole to acquire control over the Zhaoqing Land and Zhaoqing Factory with reference to the historical land price increase; and (7) the terms of the Investment Agreement have been negotiated on arm's length basis and on normal commercial terms, we are of the view that (1) the terms of the Investment Agreement have been negotiated on arm's length basis, which are fair and reasonable and (2) the Investment Agreement is on normal commercial terms, though not in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

IV. Consideration for the Investment Agreement

As stated in the Board Letter, the Consideration was determined after arm's length negotiations amongst the Parties and with reference to the Valuation Reports prepared by the Valuer, and the unaudited net asset value of the Target Company as at 31 December 2015. Based on the Valuation Reports, the net asset value of Zhaoqing Factory and Zhaoqing Land are approximately RMB121,065,300 and RMB39,624,700 respectively as at 19 May 2016. The unaudited net asset value of the Target Company is approximately RMB25,652,000 as at 31 December 2015.

We understand from the management of the Company that the Consideration for the Investment Agreement was made reference to the Valuation Reports prepared by the Valuer. We have obtained and reviewed the Valuation Reports and other relevant information of the Valuer in respect of its experience, expertise and capability in valuing the land and property of similar kind as the Zhaoqing Land and the Zhaoqing Factory.

As discussed with the management of the Company and the Valuer, we understood that the Valuer is one of the qualified valuers to value land and property in Guangdong Province in the PRC. We have obtained and reviewed the credentials of the Valuer, the copy of the Valuer's licenses and the licenses of the signing officers responsible for the Land Valuation Report and the Property Valuation Report. As such, we concur with the management of the Company and the Valuer that the Valuer has the appropriate experience, expertise and capability to value the Zhaoqing Land and the Zhaoqing Factory.

Valuation of the Zhaoqing Land

We have obtained and reviewed the Land Valuation Report prepared by the Valuer, regarding the assumptions, methodologies available for and applied in valuing lands of similar kind in relation to the valuation of the Zhaoqing Land as contained in the Land Valuation Report.

According to the Land Valuation Report, we understood that there are 5 commonly adopted valuation methodologies in valuing lands of similar kind, namely (1) comparison method; (2) income method; (3) residual method; (4) cost approach method; and (5) public land price coefficient correction method. As discussed with the Valuer, we understand that: (1) comparison method is not suitable due to the lack of liquidity in the land trading market in the region, and therefore the price obtained from the market comparison approach is not representable; (2) income method is not suitable due to the Zhaoqing Land's lack of income generating ability as the Land Use Right Agreement does not involve any rental amount; (3) residual method is not suitable due to the fact that the Zhaoqing Land is planned by the local government to be for industrial use, while this approach is only suitable for residential and commercial use; (4) cost approach method is suitable due to the availability of information

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

including the land price, expenses regarding leveling of land and other relevant expenses and relevant taxes; and (5) public land price coefficient correction method is suitable due to the availability of updated land price provided by the local government and professional adjustment made by the Valuer. We consider that the adoption of the cost approach method and public land price coefficient correction method by the Valuer is suitable for the valuation of the Zhaoqing Land.

As discussed with the Valuer, we understood that should there be more than one suitable valuation methodologies applicable to the valuation of a specific piece of land, the Valuer will follow the Regulations for Appraisal on Urban Land produced by the Ministry of Land and Resources of the PRC to conclude the final valuation of the land. Furthermore, as discussed in the interview with the Valuer, we note that the Valuer took the average of the two applicable valuation methodologies, namely (1) cost approach method; and (2) public land price coefficient correction method.

We understood from the Valuer on the computation with regard to the valuation of the Zhaoqing Land based on the cost approach method. Additionally, we have obtained the supporting documents in relation to the valuation of the Zhaoqing Land based on the public land price coefficient correction method, including but not limited to the benchmark land price published by the PRC government and the coefficients applied to the valuation.

We concur with the Valuer that the aforementioned information is suitable for the valuation with reference to the cost approach method and the public land price coefficient correction method.

As stated in the section headed Assumptions of this method under Appendix 9 Brief Illustration of the Public Land Price Coefficient Correction Method of Appendix I Land Valuation Report, we note that the assumptions related to the adoption of public land price coefficient correction method are as follows:

1. Assume owner of the land use right of the valuation object has legitimately obtained and paid the land use right and has made relevant tax payments.
2. Assume the valuation object is utilized most efficiently under its designated use purpose and will generate the corresponding land revenue.
3. Assume the real estate market on the valuation date is an open, fair, objective and balanced market.

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4. Assume all the operation and procedures related to the valuation object comply with the related national and local laws, regulations, guidelines and policies.
5. Assume the valuation object can meet the requirements for use purpose development, land use period, the development and utilization conditions and date of valuation concerning the land price definition as set forth in the appraisal report.
6. Assume the data provided by the client is lawful, authentic, accurate and complete.
7. Assume the Zhaoqing New High-tech Industrial Development Zone Benchmark Land Price Table will not be changed significantly within the year.
8. Assume the regional factor correction coefficient table of industrial land in the Updated Report on Benchmark Town Land Price of Zhaoqing New High-tech Industrial Development Zone will not be changed significantly within the year.

We have interviewed the Valuer and understood that each of the assumptions listed above is crucial to the valuation of the Zhaoqing Land as per the public land price coefficient correction method. As discussed with the Valuer, we note that the assumptions are based on related professional guidelines and/or professional judgement by the Valuer and/or related authorities in the PRC. We concur with the Valuer that these assumptions are acceptable and suitable for the purpose of valuing the Zhaoqing Land as per the public land price coefficient correction method.

As stated in the section headed Assumptions of this method under Appendix 9 Brief Illustration of the Cost Approach Method of Appendix I Land Valuation Report, we note that the assumptions related to the adoption of cost approach method are as follows:

1. Assume owner of the land use right of the valuation object has legitimately obtained and paid the land use right and has made relevant tax payments.
2. Assume the valuation object is utilized most efficiently under its designated use purpose and will generate the corresponding land revenue.
3. Assume the real estate market on the valuation date is an open, fair, objective and balanced market.

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4. Assume all the operation and procedures related to the valuation object comply with the related national and local laws, regulations, guideline and policies.
5. Assume the valuation object can meet the requirements for use purpose development, land use period, the development and utilization conditions and date of valuation concerning the land price definition as set forth in the appraisal report.
6. Assume the data provided by the client is lawful, authentic, accurate and complete.
7. Assume the land acquisition cost references the land expropriation compensation standard of Duanzhou District will not be changed significantly within the year.
8. Assume the related taxes will not be changed significantly within the year.
9. Assume the loan interest rate of fixed assets within one year (one year included) of the People's Bank of China will not be changed significantly within the year.

We have interviewed the Valuer and understood that each of the assumptions listed above are crucial to the valuation of the Zhaoqing Land as per the cost approach method. As discussed with the Valuer, we note that the assumptions are based on related professional guidelines and/or professional judgement by the Valuer and/or related authorities in the PRC. We concur with the Valuer that these assumptions are acceptable and suitable for the purpose of valuing the Zhaoqing Land as per the cost approach method.

In light of (1) adoption of the cost approach and public land price coefficient correction approach by the Valuer is suitable for the valuation of the Zhaoqing Land; (2) the Valuer took the average of the two applicable valuation methodologies to conclude the final valuation according to the Regulations for Appraisal on Urban Land produced by the Ministry of Land and Resources of the PRC; (3) the information relied on by the Valuer is suitable for the valuation with reference to the cost approach method and the public land price coefficient correction method; and (4) the assumptions are acceptable and suitable for the purpose of valuing the Zhaoqing Land as per the public land price coefficient correction method and cost approach method, we are of the view that the valuation of the Zhaoqing Land, which serves as a reference to the Consideration and part of the terms of the Investment Agreement, is justifiable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Valuation of the Zhaoqing Factory

We have obtained and reviewed the Property Valuation Report prepared by the Valuer, regarding the assumptions, methodologies available for and applied in valuing property of similar kind in relation to the valuation of the Zhaoqing Factory as contained in the Property Valuation Report.

As discussed at the interview with the Valuer, we understood that there are 3 commonly adopted valuation methodologies in valuing property of similar kind, namely (1) market comparison method; (2) income method; and (3) cost method. As discussed with the Valuer, we understand that: (1) market comparison method is not suitable due to the lack of direct comparison in the region for comparison as sale and purchase of factory of this kind is usually illiquid and factories are customized from one to another in respect of its usage, and therefore the price obtained from the market comparison method is not representable; (2) income method is not suitable due to the Zhaoqing Factory's lack of income generating ability as the Zhaoqing Factory is classified as properties under development by the Company, which is not generating any income to the Company at the moment; (3) cost method is suitable due to the availability of updated indicative construction costs, which comprises mainly of raw materials costs and labour costs, of property of similar kind in the region released by the local government, relevant expenses and relevant depreciation. We consider that the adoption of the cost method by the Valuer is suitable for the valuation of the Zhaoqing Factory.

As stated in the section headed Assumptions of this method under Appendix VI Brief Illustration of Cost Method of Appendix II Property Valuation Report, we note that the assumptions related to the adoption of cost method are as follows:

1. Assume the data provided by the client is lawful, authentic, accurate and complete.
2. The registered real estate valuer has focused on major factors affecting the valuation object value such as housing safety and environmental pollution, and it is assumed that the valuation object can be used normally and safely provided that there is no reason to suspect safety hazards with the valuation object and no corresponding professional institution performs identification and check.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

3. The registered real estate valuer didn't perform professional measurement of the housing construction area. After site survey and observation, it was assumed that the housing construction area of the valuation object is basically equivalent to the construction area recorded in the related data provided by the client.
4. Assume the valuation object should enjoy the right of access to the public areas and the right to use common facilities such as water and electricity.
5. Assume the Zhaoqing City Construction Cost Information will not be changed significantly within the year.
6. Assume the one-year working capital loan interest rate announced by the People's Bank of China will not be changed significantly within the year.
7. Assume the related sales taxes will not be changed significantly within the year.

We have interviewed the Valuer and understood that each of the assumptions listed above are crucial to the valuation of the Zhaoqing Factory as per the cost method. As discussed with the Valuer, we note that the assumptions are based on related professional guidelines and/or professional judgement by the Valuer and/or related authorities in the PRC. We concur with the Valuer that these assumptions are acceptable and suitable for the purpose of valuing the Zhaoqing Factory as per the cost method.

We have discussed with the management of the Company and understood that the Zhaoqing Factory is currently under development and is yet to obtain the building ownership certificate. Moreover, we have obtained the PRC legal opinion prepared by the PRC lawyer of the Company. We have discussed on the PRC legal opinion with the PRC lawyer and note that the PRC lawyer considered there was no negative potential impact and risks of the Investment Agreement to the Company.

The net asset value of the Zhaoqing Factory is approximately 75.34% of the aggregated net asset value of the Zhaoqing Land and the Zhaoqing Factory, which is approximately RMB160,690,000. Having considered that (1) the methodologies adopted by the Valuer are suitable for the valuation of the Zhaoqing Land the Zhaoqing Factory; and (2) the assumptions are acceptable and suitable for the purpose of valuing the Zhaoqing Factory as per the cost method, we are of the view that the Consideration with reference to the Valuation Reports prepared by the Valuer is justifiable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

IV. Financial Impacts of the Investment Agreement

The Consideration for the Investment Agreement is approximately RMB121,065,300, which is determined by reference to the net asset value of the Zhaoqing Land and the Zhaoqing Factory and the unaudited net asset value of the Target Company.

The financial impacts of the Investment Agreement will be as follows:

i. Cash and cash equivalents

As stated in the Board Letter, Zhaoqing Leoch has agreed to inject the Consideration into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company. Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.

At the Group consolidated financial statement, there will be minimal impact on the cash and bank of the Group.

We consider the Transactions will bring minimal financial impact on the cash and cash equivalents of the Group.

ii. Net asset value

Upon completion of the Investment Agreement, the Target Company will become a subsidiary of the Company, the net asset value of the Target Company will be consolidated into the future consolidated financial statement of the Group and increase the net asset value of the Group.

We consider the Transactions will bring positive impact to the net asset value of the Group.

iii. Net Gearing

Upon completion of the Transactions, the Target Company will become a subsidiary of the Company, the net asset value of the Target Company will be consolidated into the future consolidated financial statement of the Group and increase the net asset value of the Group. Also, there is no change in the net debt position of the Group. Hence, the net gearing, of the Group, being the ratio of net debt to the net asset value of the Group, will be lowered.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

We consider the Transactions will bring positive impact to the net gearing of the Group.

Having considered that the Transaction will bring (1) minimal financial impact on the cash and cash equivalents of the Group; (2) positive impact to the net asset value of the Group; and (3) positive impact to the net gearing of the Group, we are of the view that the Transactions will bring positive financial impact to the Group as a whole.

RECOMMENDATION

In relation to the Transactions, we have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (1) the terms of the Investment Agreement have been negotiated on arm's length basis, which are fair and reasonable;
- (2) the Investment Agreement is on normal commercial terms, though not in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole;
- (3) the cost approach method and public land price coefficient correction method are suitable and applicable to the valuation of the Zhaoqing Land;
- (4) the cost method is suitable and applicable to the valuation of the Zhaoqing Factory;
- (5) the Consideration with reference to the Valuation Reports prepared by the Valuer is justifiable and in the interests of the Company and the Shareholders as a whole;
- (6) the Transactions will bring positive financial impact to the Group as a whole.

Having considered the principal factors and reasons as set out above, we consider that the Transactions are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,

For and on behalf of

KGI Capital Asia Limited

Ringo Kwan

Head of Investment Banking

Wesley Chan

Senior Vice President

Land Valuation Report

Project Name:	Appraisal of the market price for the use right of state-owned land located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing, with the Land use recorded in the real estate certificate as industrial land (061) and for conversion into shares
Appraisal Company:	Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.
Land Appraisal Report No.:	Heng Kuai Di Gu Zi No. [2016] 05019
Appraisal Report Submission Date:	21 May 2016

I. Abstract**I. NAME OF APPRAISAL PROJECT**

Appraisal of the market price of the use right of state-owned land located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing, where the land use purpose recorded in the Real Estate Certificate is industrial land (061), as a reference for conversion into shares

II. CLIENT

Client: Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd.

Address: North Industrial Road and South Xing Long No. 5 Road of
New High-tech Industrial Development Zone, Zhaoqing

Legal representative: Dong Zhonghua

Contact person: Zhang Jinkui

Tel: 13823351858

III. APPRAISAL PURPOSE

Entrusted by Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd., we evaluate the market price of the state-owned land use right so as to provide a reference basis for the client to convert the subject property into shares

IV. DATE OF VALUE

19 May 2016 (on-site inspection date)

V. DURATION OF APPRAISAL

19 May 2016 to 21 May 2016

VI. DEFINITION OF LAND PRICE

According to the Regulations for Valuation on Urban Land (GB/T18508-2014, implemented as of 1 December 2014) and the specific requirements of the appraisal project and in consideration of the related data provided by the client, the land price is defined as follows:

1. Price type: market price of the state-owned land use right;
2. Land use right type: transfer; conceived land use right type: transfer;
3. Land use: The statutory (recorded in the real estate certificate) land use is industrial land (061), the actual land use is industrial land, and the conceived land use is industrial land;
4. Land development degree: The actual development degree of the subject property on the date of value is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the land parcel and site leveling in the red line of land parcel (eight buildings on the land); the conceived development degree in appraisal is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the land parcel and site leveling in the red line of land parcel;
5. Date of value: 19 May 2016 (on-site inspection date);
6. Number of years of land tenure: According to the record in the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the expiration date of land use right is 4 November 2063, the number of remaining land use years of the subject property on the date of value is 47.5, and this appraisal assumes that the number of remaining land use years on the date of value to 47.5;

7. Present use or planned utilization conditions: According to the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the area recorded is 104,275.41 square meters and the recorded purpose of the land is industrial land (061). According to the site survey, there are eight buildings on the land, and none of them is granted a real estate certificate. Total construction area is 89,906.60 square meters, and these buildings are designed for R&D building, comprehensive building and workshop respectively. Currently, they serve as R&D building, dormitory buildings and workshops respectively. The use conditions of these buildings are good on the date of value. The present plot ratio of the subject property is 0.86. According to a market survey on similar lands around the subject property, most of the lands around are used for industrial purpose. Based on the principle of legality and the principle of most effective use and in view of the present use of the subject property and market survey on similar lands around, this appraisal assumes that the land use of the subject property is industrial land the plot ratio is 0.86.

The land use right price of this appraisal refers to the market price of state-owned land use right complying with all the appraisal conditions such as the above present use or planned utilization condition, land use, number of years of land tenure, land development degree, and date of value;

VII. APPRAISAL RESULT

Based on the on-site inspection conducted by the land appraiser and comprehensive analysis of factors influencing the land price, in consideration of the appraisal purpose and land situation of the subject property and according to the appraisal principle and certain appraisal procedure, the proper appraisal method is selected to carry out estimation and judgment, and the market price of the state-owned land use right of the subject property under the condition of complying with the land price definition is as follows:

Land area:	104,275.41 square meters
Land price per unit area:	RMB380/square meter
Total land price:	RMB39.6247 million
In words (RMB):	Thirty Nine Million Six Hundred Twenty Four Thousand Seven Hundred Only

For the detailed appraisal results of the subject property, refer to the List of Land Valuation Results.

VIII. SIGNATURE OF THE LAND APPRAISER

Appraiser name	Land Appraiser Qualification Certificate No.	Signature and seal
Luo Xiaoqiu	2004440149	
Liang Jiezheng	2002440191	

IX. INSTITUTION OF THE LAND APPRAISER

Signature of the appraisal company's legal representative:

Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.

May 21, 2016

List of Land Valuation Results

Appraisal company: Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.

Appraisal Report No.: Heng Kuai Di Gu Zi No. [2016] 05019

Date of value: May 19, 2016

Appraisal purpose: For conversion to shares

Nature of land use right on the date of value: Transfer

Land user on the expiry date of appraisal:	Parcel No.	Parcel name/location	Land Use Certificate No.	Recorded in the real estate certificate (or approved)	Land use on the date of value		Plot ratio		Actual land development degree on the date of value	Land development degree set through the appraisal	Number of remaining land use years	Area (m ²) recorded in the real estate certificate	Area land price recorded in the real estate certificate (RMB/m ²)	Total land price (ten thousand Yuan)	Remarks
					Actual	Set	Planned	Actual							
Zhaoying Leach Marshall Electric Vehicle Co., Ltd.	441284001008 GS00100	North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing	Zhao Fu Guo Yong (2015) No. 0080069	Industrial land	Industrial land	Industrial land	0.86	0.86	0.86	“Five supplies” outside the red line of land parcel and site leveling in the red line of land parcel (eight buildings exist on the land)	47.5	104,275.41	380	3,962.47	-
Total	-	-	-	-	-	-	-	-	-	-	-	104,275.41	-	3,962.47	-

I. RESTRICTIVE CONDITIONS OF THE ABOVE LAND VALUATION RESULTS:

1. Land right restriction: None;
2. Infrastructure conditions: The actual development degree of the subject property on the date of value is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the red line of land parcel and site leveling in the red line of land parcel (eight buildings on the land);
3. Planning restrictions: According to the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the area recorded is 104,275.41 square meters and the recorded purpose of the land is industrial land (061). According to the site survey, there are eight buildings on the land, and none of them is granted a real estate certificate. Total construction area is 89,906.60 square meters, and these buildings are designed for R&D building, comprehensive building and workshop respectively. Currently, they serve as R&D building, dormitory buildings and workshops respectively. The use conditions of these buildings are good on the date of value. The present plot ratio of the subject property is 0.86. According to a market survey on similar lands around the subject property, most of the lands around are used for industrial purpose. Based on the principle of legality and the principle of most effective use and in view of the present use of the subject property and market survey on similar lands around, this appraisal assumes that the land use of the subject property is industrial land the plot ratio is 0.86;
4. Other restrictions influencing the land price: According to the record in the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the expiration date of land use right is 4 November 2063, the number of remaining land use years of the subject property on the date of value is 47.5, and this appraisal assumes that the number of remaining land use years on the date of value is 47.5;

- II.** For other items to be described, please refer to “Other Items to Be Specially Described” in the valuation report

Part II Definition of Subject Property**I. CLIENT**

Client: Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd.

Address: North Industrial Road and South Xing Long No. 5 Road of
New High-tech Industrial Development Zone, Zhaoqing

Legal representative: Dong Zhonghua

Contact person: Zhang Jinkui

Tel: 13823351858

II. SUBJECT PROPERTY

The subject property of this report is the transferred state-owned land located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing, with the land use right owner as Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd., the area recorded in the real estate certificate as 104,275.41 square meters, and the land use recorded in the real estate certificate as industrial land (061).

III. OVERVIEW OF SUBJECT PROPERTY

(I) Land registration status

It covers such information as the ownership nature, ownership origin and ownership change of the subject property, geographical position of the subject property, land use, four boundaries, area, land level, Land Registration Certificate No., Land Use Certificate No., registration time, cadastral map No. and parcel No. If registration formalities are not completed for the subject property, reasons should be provided. For details, see Table 1 below.

Table 1 List of Land Registration Status (Land ownership nature: state owned)

No.	Parcel location	Land use	Four boundaries				Area recorded in the real estate certificate (m ²)	Land level	Land Registration Certificate No.	Land Use Certificate No.	Time of registration	Cadastral map No.	Parcel No.	Source and changes
			East	South	West	North								
1	North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing	Industrial land	Minghua Road	Industrial Road	Neighboring land	Xinglong No. 5 Road	104,275.41	-	027812709	Zhao Fu Guo Yong (2015) No. 0080069	July 16, 2015	76.20-00.00	441284001008 GS00001	Guangdong Marshall Electric Technology Co., Ltd. transferred this land parcel to Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. as capital contribution and has verified tax at the district tax authorities. Now, change to the land use right is registered according to the Tax Related Audit Table and related certificate materials, and the land use right owner is changed from Guangdong Marshall Electric Technology Co., Ltd. to Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. the original land use right certificate - Zhaoqing Government State Owned Land Use Certificate (2014) No. 0080010 will be canceled and taken back to issue a new certificate.

(II) Land right status

It covers such information as the land ownership, use right and other rights of the subject property. If the land use right is obtained through transfer, the obtaining time, transfer price, approved tenure of use, years that have passed, remaining land use years and special regulations on the land use should be described; the mortgage right, guarantee right, easement, lease right, right on the ground, underground right and adjacent relation (if any) of the subject property should be detailed. For details, see Table 2 below.

Table 2 List of Land Right Status (Type of Land Ownership and Use Right: Transfer of State-owned Land)

No.	Land use right owner on the date of value	Land location	Time of obtaining the land	Transfer price	Approved tenure of use (year)	Years that have passed (year)	Remaining land use years (year)	Special regulations on the land use	Other rights	Remarks
1	Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd.	North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing	November 5, 2013	-	50	2.5	47.5	-	None	-

(III) Land use status**1. Current use status of subject property:**

- (1) Actual development degree of the land: The actual development degree of the subject property on the date of value is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the red line of land parcel and site leveling in the red line of land parcel (eight buildings on the land);

(2) Conditions of buildings (or other annexes) on the land of subject property:

1. The R&D building (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a six storey building of reinforced concrete structure, which was constructed in November 2011 and planned to be used as a R&D building. It is actually used as a R&D building, the construction area is 4,904.36 m², and the interior and exterior decoration is briefed as follows: exterior wall tiles and glass curtain wall for the outer wall; putty scraped and latex paint coated on the inner wall and ceramic tiles affixed to the top; putty scraped and latex paint coated on the ceiling installed with aluminum panels; polished tiles paved on the floor; glass doors, plywood doors, aluminum alloy windows, and floor-to-ceiling glass; complete water and electricity facilities.
2. Comprehensive building 1 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a six storey building of reinforced concrete structure, which was constructed in November 2011 and planned to be used as a comprehensive building. It is actually used as a dormitory building, the construction area is 4,074.26 m², and the interior and exterior decoration is briefed as follows: small square tiles affixed to the outer wall; putty scraped on the inner wall; putty scraped on the ceiling; wear-resistant tiles paved on the floor; iron doors, aluminum alloy glass doors, and aluminum alloy windows; complete water and electricity facilities.

3. Comprehensive building 2 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a six storey building of reinforced concrete structure, which was constructed in November 2011 and planned to be used as a comprehensive building. It is actually used as a dormitory building, the construction area is 4,074.26 m², and the interior and exterior decoration is briefed as follows: small square tiles affixed to the outer wall; putty scraped on the inner wall; putty scraped on the ceiling; wear-resistant tiles paved on the floor; iron doors, aluminum alloy glass doors, and aluminum alloy windows; complete water and electricity facilities.
4. Comprehensive building 3 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a six storey building of reinforced concrete structure, which was constructed in November 2011 and planned to be used as a comprehensive building. It is actually used as a dormitory building, the construction area is 7,405.42 m², and the interior and exterior decoration is briefed as follows: small square tiles affixed to the outer wall; putty scraped on the inner wall; putty scraped on the ceiling; wear-resistant tiles paved on the floor; iron doors, aluminum alloy glass doors, and aluminum alloy windows; complete water and electricity facilities.
5. Workshop 7 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a one storey building of steel structure, which was constructed in November 2011 and planned to be used as a workshop. It is actually used as a workshop, the construction area is 19,971.80 m², and the interior and exterior decoration is briefed as follows: color steel plates for the outer wall; star tile surface supported by a steel frame for the ceiling; cement mortar leveling for the floor; iron doors, rolling gates and aluminum alloy windows; complete water and electricity facilities.

6. Workshop 8 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a one storey building of steel structure, which was constructed in November 2011 and planned to be used as a workshop. It is actually used as a workshop, the construction area is 19,971.80 m², and the interior and exterior decoration is briefed as follows: color steel plates for the outer wall; star tile surface supported by a steel frame for the ceiling; cement mortar leveling for the floor; iron doors, rolling gates and aluminum alloy windows; complete water and electricity facilities.

7. Workshop 9 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a one storey building of steel structure, which was constructed in November 2011 and planned to be used as a workshop. It is actually used as a workshop, the construction area is 9,277.70 m², and the interior and exterior decoration is briefed as follows: color steel plates for the outer wall; star tile surface supported by a steel frame for the ceiling; cement mortar leveling for the floor; iron doors, rolling gates and aluminum alloy windows; complete water and electricity facilities.

8. Workshop 10 (real estate certificate not applied for) of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing is a one storey building of steel structure, which was constructed in November 2011 and planned to be used as a workshop. It is actually used as a workshop, the construction area is 20,227.00 m², and the interior and exterior decoration is briefed as follows: color steel plates for the outer wall; star tile surface supported by a steel frame for the ceiling; cement mortar leveling for the floor; iron doors, rolling gates and aluminum alloy windows; complete water and electricity facilities.

2. Land use conditions

According to the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the area recorded is 104,275.41 square meters and the recorded purpose of the land is industrial land (061). According to the site survey, there are eight buildings on the land, and none of them is granted a real estate certificate. Total construction area is 89,906.60 square meters, and these buildings are designed for R&D building, comprehensive building and workshop respectively. Currently, they serve as R&D building, dormitory buildings and workshops respectively. The use conditions of these buildings are good on the date of value. The present plot ratio of the subject property is 0.86. According to a market survey on similar lands around the subject property, most of the lands around are used for industrial purpose. Based on the principle of legality and the principle of most effective use and in view of the present use of the subject property and market survey on similar lands around, this appraisal assumes that the land use of the subject property is industrial land the plot ratio is 0.86.

IV. FACTORS INFLUENCING LAND PRICE

(1) General factors

1. Geographical location

Zhaoqing City is located in the middle west of Guangdong Province and crosses the main stream of the Pearl River – Xijiang River Basin and Beijiang River Basin. Zhaoqing City is adjacent to Qingyuan City in the northeast, bordering Guangxi in the northwest, connected to Yunfu City in the south and adjacent to Foshan City and Jiangmen City in the southeast. The north-south distance is about 173 km and the east-west distance is about 145 km.

2. *Natural environment*

- (1) Topography and landform: The topography gradually tilts towards the center and southeast from the north and northeast, and a lot of landforms are available, e.g., mountains, hills, plains, and lakes. The urban area is backed by Beiling, faces Xijiang River, and controls Cangwu in the upward direction and Nanhai in the downward direction. Li Lake formed by Beiling mountain and ancient watercourse of Xijiang River is located in the north, a river valley alluvial plain is located in the middle, and numerous mountains and overlapping peaks lock rivers in the east and west form Sanrong Gorge, Dading Gorge and Lingyang Gorge. Solitary hills and tablelands are scattered in the territory, rocky mountains rise straight from the ground, and lakes and ponds are scattered all over like stars in the sky, forming the unique natural landscapes of five lakes, six hills, seven peaks and eight caves and creating the Seven Star Crags Scenic Spot, which is renowned at home and abroad.
- (2) Climate and hydrology: Located between 22 and 24 degrees of north latitude and traversed by the tropic of cancer, Zhaoqing has a subtropical monsoon climate, the annual average temperature is 21.5°C, and the average annual rainfall is 2676 mm. The city is warm all year round, with plenty of sunshine and abundant rainfall, evergreen in four seasons.
- (3) Population: The resident population of Zhaoqing at the end of 2013 was 4,022,100 persons, the annual birth population was 54,300 persons, indicating the birth rate of 12.34%, the death population was 23,400 persons, indicating the death rate of 5.32%, and the natural growth population was 30,900 persons, indicating the natural growth rate of 7.02%.

3. *Administrative division*

Zhaoqing covers an area of 15,095.5 square kilometers and governs four municipal districts (Duanzhou District, Dinghu District, Dawang District and Gaoyao District), one county-level city (Sihui City) and four counties (Guangning County, Huaiji County, Fengkai County and Deqing County). Moreover, it also established Zhaoqing National Hi-tech Industrial Development Zone (a municipal government agency, stationed in Dawang, with the economic management right and administrative examination and approval authority at the municipal level).

4. *External traffic conditions*

The section from Huaiji to Lianzhou of Erguang Expressway was constructed and opened to traffic; the section from Huanggang to Huashan of Pearl River Delta Ring Expressway directly connected to Guangzhou Baiyun Airport was constructed and put into use; roadbed construction was completed for the Zhaoqing section of Guangzhou-Foshan-Zhaoqing intercity rail; full line construction started for Guangzhou-Foshan-Zhaoqing Expressway; construction of Zhaoqing section of Shantou-Kunming Expressway and Shantou-Zhanjiang Expressway started formally; Liantang interchange at Guangzhou-Zhaoqing section of Guangzhou-Kunming Expressway was put into use; the three-dimensional traffic network of “Pearl River Delta connecting to hub gateway cities of the Great Southwest” has been formed gradually, vigorously promoting the traffic capacity and effectively enhancing the land price level of surrounding area.

5. *Uniformly planning and promoting urban and rural development*

New urbanization is promoted steadily. The government issued the Overall Development Planning for Two Districts to Lead New Industrialization and Urbanization that “integrates multiple regulations” and started preparation of the new round of overall city planning. The planned range of city center expanded from 194 to 500 square kilometers. The overall city planning of Zhaoqing New District has been approved by the provincial government for implementation; construction of the starting area has started in an all-round way; 27,000 Mu land has been reserved in total; 11 roads have been constructed or are under construction; key projects such as Affiliated School of Beijing Normal University and Zhaoqing East Railway Station have been constructed, and the government has introduced quality projects such as global financial center and ecological city of central green axis. Integrated development of the city center has speeded up, and projects such as Yuejiang Bridge, demonstration section of Jiangbin West Road on the north shore of Xijiang River and Dinghu Avenue progress well, and 15 “Three-old” reconstruction projects have been started or continued. All the counties (cities) have started the new round of overall planning revision, and new city construction started in all dimensions. Smart city construction has been accelerated, the urban Internet penetration rate is as high as 62.4%, and fibers cover more than 95% of city communities and are connected to all the administrative villages.

New rural construction has speeded up. As for the scope of planning, all towns in the city area and 100 administrative villages have been planned, and the planning rate of villages rose to 80%. Zhaoqing takes lead in Guangdong province in the progress and quality of building famous and model villages. Greening work has been carried out in 141 villages, and 6 new provincial-level health towns, 173 provincial-level health villages, and 29 model villages in ecological civilization have been built. In addition, a total of 21 livable towns and 39 livable villages at the provincial level have been built. Garbage transfer stations and collection points have been constructed for all the towns and villages.

The ecological construction effect is outstanding. The government started the new round of campaign for greening Zhaoqing and creating a national forest city. The national garden city has passed the provincial reexamination, planted trees in an area of 296,400 Mu, constructed an ecological landscape forest belt of 160.8 km, and added 24 forest parks and 2 wetland parks. Beiling Mountain Forest Park has been constructed and opened to the public. The phase II expansion project of city garbage dump and the garbage decontamination treatment site at the county level have been constructed and put into use. The city planned the drinking water source protection area above the township level, completed the phase I project of comprehensive water environment improvement of key river basins and water quality improvement of Xinghu Lake, and increased the domestic sewage treatment rate to 86.1%.

Air quality control has been strengthened. An Environmental Protection Committee was specially established and environmental protection police was organized to implement the six action plans of environmental protection and carry out grid management of environmental monitoring. The government shut down 117 enterprises against laws and regulations related to emission, and fulfilled the task of annual emission reduction in total amount of main pollutants. The government promoted air pollution control with all efforts, put an emphasis on reinforcing comprehensive control of industrial coal, motor vehicle exhaust gas, flying dust and other pollutants and comprehensive law enforcement of environmental protection, used natural gas for 63 production lines of ceramic enterprises, signed 206 gas use agreements, installed an online monitoring system for all the ceramic enterprises, rectified 244 boilers, and eliminated 35,800 yellow label vehicles and old vehicles. The good air quality rate increased by 2.5% for the whole year, and the annual average values of PM_{2.5} and PM₁₀ concentrations dropped step by step. Zhaoqing has fulfilled the annual assessment objective of improving the ambient air quality set by the provincial government.

6. *Social and economic conditions*

The city's GDP in 2015 was RMB197,001 million, indicating a year-on-year increase of 8.2%, where the primary industry increased by 4.4%, the secondary industry increased by 8.5%, and the tertiary industry increased by 9.2%, stimulating growth by 0.6%, 4.4% and 3.2% respectively.

- (1) *In view of the operation situation of the three industries, the primary industry is stable, the secondary industry tends to become weak, and the tertiary industry shows a good growth momentum*

Agriculture production is stable: The agricultural production of the whole city has operated basically in the range of 4% to 5% in recent years. The city achieved the agricultural added value of RMB29,055 million in 2015, showing a year-on-year increase of 4.4%. The output values of all kinds of agricultural products have kept stable. The output values of grain, vegetable, pork and poultry increased by 4.5%, 5.1%, 4.7% and 4.5% respectively.

The overall situation of the secondary industry tends to become weak, and industrial production declines significantly. In 2015, industrial enterprises above the designated size completed the added value of RMB93,820 million, indicating a year-on-year increase of 7.6% and dropping by 6.7% in comparison to that of 2014, and the increase rate ranked No.6 in the Pearl River Delta region and No.13 in Guangdong Province. The three major industrial categories with a proportion of 30% all declined substantially. The non-metallic mineral product industry increased by 1.8%, dropping by 12.2% in comparison to the increase rate of last year; the metal product industry decreased by 3.9%, dropping by 20.7% in comparison to the increase rate of last year; the non-ferrous metal smelting and rolling processing industry decreased by 6.8%, dropping by 13.8% in comparison to the increase rate of last year. The development trend of the construction industry is stable. In 2015, the added value of construction industry increased by 8.9%, higher than 4.5% of 2014.

The tertiary industry shows a good growth momentum: In 2015, the added value of the tertiary industry increased by 9.2%, with the contribution rate to economic growth as high as 39.2%, increased by 3.7% over 2014. Due to promotion by rapid development of online sales, the year-on-year increase of retail sales of social consumer goods reached 12.9%. The transportation industry grew relatively rapidly: the highway freight turnover increased by 16.8% over last year, and the waterway freight turnover increased by 16.0%.

From January to November, the operating income of profit-making services such as leasing and business services increased by 16.4%, 0.8% higher than the provincial average level.

(2) *In view of the operation situation of three major requirements, investment is stable, consumption remains active, and the driving force of export is relatively weak*

Stable growth momentum of fixed assets investment: In 2015, the whole city completed the accumulated fixed assets investment of RMB133,003 million, indicating an increase of 16.8%. Here, the industrial investment maintained a rapid growth and reached RMB69,982 million, indicating an increase of 25.3%; the infrastructure investment tended to slow down and reached RMB25,313 million, indicating an increase of 0.9%, and the growth rate declined by 19.9% over 2014; the investment in real estate development was still shrinking and dropped to RMB15,977 million, indicating a decrease of 15.4% and pulling down the fixed assets investment growth rate of the city by 2.6%.

Consumer market is generally good: The consumer goods market maintained a rapid growth. In 2015, the whole city achieved the total retail sales of consumer goods of RMB63,236 million, indicating a year-on-year increase of 12.9%, wherein wholesale, retail, accommodation and catering units above the quota achieved the retail sales volume of RMB30.379 billion, indicating a year-on-year increase of 18.5% and accounting for 48.0% of the social consumer goods retail sales of the whole city, increased by 2.8% in comparison to the same period last year; the contribution rate to the total retail sales growth of social consumer goods of the whole city reached 65.4%, driving the total retail sales growth of social consumer goods of the whole city by 8.5% and proving to be the main driving force for the total retail sales growth of social consumer goods of the whole city. The real estate sales market is weak. In 2015, the sales area commercial housing was 4,951,900 m², indicating a year-on-year increase of 0.2%, and the growth rate dropped by 6% over 2014. The tourism market was dull. In 2015, scenic spots received 29,280,600 tourists, indicating a year-on-year increase of 3.3% only. Consequently, the accommodation and catering industry continued downturn and did not improve.

The driving force of foreign trade market was relatively weak. In 2015, the import and export volume of the whole city was USD8,210 million, indicating an increase of 4.8% over last year; the export volume was USD4,770 million, indicating an increase of 3.5% over last year; the import volume was USD3,440 million, indicating an increase of 6.7% over last year.

(3) *Continuous promotion of structural adjustment*

Steady progress of private economy: In 2015, the private industry above the designated size in the whole city continued to maintain the steady and rapid operation situation and achieved the added value of RMB56,332 million cumulatively, indicating an increase of 8.9% over last year, the growth rate dropped by 7.1% in comparison to the same period last year, 1.3% higher than that of the industry above the designated size in the whole city, and the proportion of the total amount of added value to the added value of the industry above the designated size in the whole city is 60%, increased by 1% over the same period last year. The private investment reached RMB105,256 million, indicating an increase of 16.6% and accounting for 79.1% of the whole city's investment; the amount of private projects reached RMB90,743 million, indicating a year-on-year increase of 25.0% and driving the fixed assets investment of the whole city to increase by 15.9%.

Continuous optimization of investment structure: The whole city has constantly reinforced the investment into technological innovation. The industrial investment in technological transformation reached RMB7,068 million, an increase of 41.6%, and the growth rate increased by 31.7% in comparison to the same period last year; the proportion of the industrial investment in technological transformation to the industrial investment increased from 8.9% to 10.1%, namely, by 1.2%; the investment into the equipment manufacturing industry was RMB17,771 million, an increase of 46.7%. The investment into the hi-tech industry reached RMB3,825 million, indicating an increase of 204.4%, wherein the pharmaceutical manufacturing industry completed the investment of RMB1,175 million, indicating an increase of 347.2%, and the electronic and communication equipment manufacturing industry completed the investment of RMB2,537 million, indicating an increase of 186.7%.

Sustained and rapid growth of online sales: In 2015, the wholesale and retail industry of the whole city above the quota achieved the commodity retail sales of RMB5,835 million through the public network, indicating a year-on-year increase of 53.2 times.

(II) Regional factors**1. Regional overview**

Dawang Park of New High-tech Industrial Development Zone, Zhaoqing is adjacent to Foshan City in the east, Dasha Town of Sihui City in the south, Xinjiang Town of Sihui City in the west and Longfu Town of Sihui City in the north.

New High-tech Industrial Development Zone, Zhaoqing was established in 1998 and originally located at the urban district of Zhaoqing City. It was relocated to Dawang and started formal operation in the first half year of 2002. The total area is Zhaoqing 98 square kilometers, phase I construction covers an area of 22.52 square kilometers, and the used land is state-owned land. At present, the resident population is over 100,000. In July 2004, the zone was identified as a key industrial park of absorbing foreign investment in Guangdong Province and a demonstration area of absorbing foreign investment in the mountain area of Guangdong Province; in August 2008, the zone was selected as one among the first batch of demonstrative industrial transfer parks of Guangdong Province; in September 2010, the zone was upgraded to a national hi-tech zone; in August 2011, the zone was awarded the title of national model industrial park with harmonious labor relationship; in September 2012, the zone was identified as a national intellectual property pilot park.

2. Social and economic conditions

In 2014, the zone achieved the GDP of RMB20,176 million, indicating an increase of 14.1% over last year, the total industrial output value of RMB77,886 million, indicating an increase of 15.6%, and the industrial added value of RMB18,455 million, indicating an increase of 15.5%; it realized the fixed assets investment of RMB12,740 million, indicating an increase of 21.4%, the local public finance budget revenue of RMB1,140 million according to the old statistical standard and RMB855 million according to the new statistical standard, indicating an increase of 18%, the foreign trade import and export volume of USD1,061 million, indicating an increase of 10.6%, and the foreign capital of newly approved registered contracts of USD758 million, indicating an increase of 5.6%, and actually used the foreign capital of USD 364 million, indicating an increase of 1.6%.

3. *Development advantages*

- (1) The zone enjoys significant location advantages and convenient transportation. Zhaoqing National Hi-tech Industrial Development Zone was located at the west of central area of the Pearl River Delta and the easternmost of Zhaoqing City, isolated from Sanshui District of Foshan City by a river, 50 km from the urban area of Guangzhou in the east, 45 km from the urban area of Zhaoqing City, and within the half an hour economic life cycle of Guangzhou, Foshan and Zhaoqing. Multiple trunk roads including 321 National Road, Erguang Expressway, Outer Ring Expressway of the Pearl River Delta, Guangzhou-Foshan-Zhaoqing Expressway, Guangzhou-Foshan-Zhaoqing Intercity Rail and Guangzhou-Maoming Railway run through the zone. It takes only more than 40 minutes to reach Guangzhou Baiyun Airport. The container terminal of 2,000 tons will be put into use soon. The waterway transportation can reach all rivers and seas, forming the three-dimensional and diversified gold network of sea, land and air traffic.

- (2) The zone owns abundant land resources and complete infrastructure. Dawang, the location of Zhaoqing National Hi-tech Industrial Development Zone, covers a total area of 98 square kilometers. All of the land is state-owned land, and therefore it is not necessary to purchase the land from farmers. Contiguous development is easy due to the flat and open terrain. The zone prepared Overall Planning and Industrial Development Planning through international bidding and determined the overall space layout of “One Center and Six Areas” including the central service area, metal new material industrial area, advanced equipment manufacturing industrial area, electronic information industrial area, bio pharmaceutical industry area, logistics and comprehensive bonded area and industry-university-research supporting area. It invested more than RMB10 billion to promote high-standard infrastructure construction focusing on transportation, water conservancy, electric power, gas, environmental protection and communication, constructed the “seven vertical and seven horizontal” trunk road network, Dawang dike that can resist a flood that may occur once in 50 years, city drainage system up to the one-day drainage standard in case of a 24-hour rainstorm that may occur once in 10 years, and a group of key supporting facilities such as the administrative service center, innovation service center, science and technology enterprise incubator, science and technology enterprise accelerator, human resources market, higher vocational college, modern primary and secondary schools, five-stars hotels, international race

circuit, new water plant, sewage treatment plant (matched with the rain and sewage diversion pipe network system covering the whole zone), combined cooling and heating of state power and thermoelectric power, pipeline gas, logistics park, vehicle inspection yard, import bonded warehouse and export supervised warehouse. Supporting facilities such as grade-3 Class-A people's hospital, Dawang Highsun U City and noble residential area are under construction. Furthermore, the zone is the first one among provincial industrial transfer parks that won the domestic and foreign certifications of ISO14000 environmental management system, identified as one among the first group of provincial circular economy industrial parks and the first group of creating a provincial clean production demonstration park and an economic zone with the highest investment value in Guangdong in 2013, and approved by three national ministries to create a national eco industrial demonstration zone.

To further improve the supporting infrastructure, the zone promoted the key infrastructure such as Dawang bridge expansion project, Yalv Street upgrade and reconstruction project of 503 line and the west extension line of Science and Technology Avenue in 2014; phase II of the first sewage treatment plant and Dushi River reconstruction project have been put into operation formally; the sewage pipe network restoration project and Wuma Gang relocation project have been basically completed; urban key supporting construction projects including old city transformation, comprehensive improvement of urban environment, Dawang International Plaza, Zhuying Cultural and Sports Center and Dawang Highsun U City is pushed forward smoothly, and the investment business environment is optimized constantly. The zone was appraised as "2014 China's Top 10 Parks with the Best Business Environment" by the Global Times News Agency.

(III) Individual factors

These factors include factors that affect the land price level such as the parcel location, area, land use, width, adjacent street conditions, shape, geology, topography, terrain, plot ratio, infrastructure conditions of parcel, and current utilization and planned utilization of subject property.

1. Description of conditional factors of subject property:

- (1) Geographical location: The subject property is located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing;
- (2) Four boundaries: The subject property is adjacent to Minghua Road in the east, Industrial Road in the south, Xinglong No. 5 Road in the north and neighboring land in the west, with clear four boundaries;
- (3) Parcel area: The area recorded in the real estate certificate is 104,275.41 m²; the parcel area is helpful to land utilization;
- (4) Land use: The land use recorded in the real estate certificate is industrial land (061), the actual land use is industrial land, and the set land use is industrial land;
- (5) Bordering widths with streets: the bordering width with road in the south of the parcel is 212.44 meters; the bordering width with road in the east is 415.33 meters; the bordering width with road in the north is 231.74 meters;
- (6) Conditions of neighboring streets: The subject property is adjacent to Minghua Road in the east, Industrial Road in the south and Xinglong No. 5 Road in the north, with good road conditions;
- (7) Parcel shape: Through the on-site survey, the subject property has a relatively regular shape, and the land is used reasonably;
- (8) Engineering geological conditions: According to the on-site survey, the terrain, topography, slope and land carrying capacity of the parcel are all common, without adverse effect on the land use;

- (9) Planned utilization conditions of the parcel: According to the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the area recorded is 104,275.41 square meters and the recorded purpose of the land is industrial land (061). According to the site survey, there are eight buildings on the land, and none of them is granted a real estate certificate. Total construction area is 89,906.60 square meters, and these buildings are designed for R&D building, comprehensive building and workshop respectively. Currently, they serve as R&D building, dormitory buildings and workshops respectively. The use conditions of these buildings are good on the date of value. The present plot ratio of the subject property is 0.86. According to a market survey on similar lands around the subject property, most of the lands around are used for industrial purpose. Based on the principle of legality and the principle of most effective use and in view of the present use of the subject property and market survey on similar lands around, this appraisal assumes that the land use of the subject property is industrial land the plot ratio is 0.86;
- (10) Infrastructure conditions of the parcel: The actual development degree of the subject property on the date of value is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the land parcel and site leveling in the red line of land parcel (eight buildings exist on the land); the set development degree in appraisal is “five supplies” (supply of water, drainage, road, power and communication facilities) outside the land parcel and site leveling in the red line of land parcel;
- (11) Number of years of land tenure: According to the record in the State Owned Land Use Certificate “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the expiration date of land use right is 4 November 2063, the number of remaining land use years of the subject property on the date of value is 47.5, and this appraisal assumes that the number of remaining land use years on the date of value to 47.5;
- (12) Present use of the land: The present use of the land parcel to be evaluated on the date of value is industrial land, and there are eight buildings on the land;
- (13) Land use restrictions: No special use restrictions;

- (14) Surrounding natural environment: The surrounding natural environment of the subject property is common, without obvious pollution source.

2. *Analysis of the most effective use:*

- (1) Legality: The recorded land use of the subject property is industrial land (061); according to the on-site survey carried out by the appraiser, the subject property is located in the planned area, use of the surrounding land planning focuses on industrial land, the infrastructure and public facilities of this area comply with the planning and coordinate with the surrounding land, and the set industrial land of this appraisal is legal;
- (2) Technical feasibility: The surrounding land of the subject property is mainly industrial land; in consideration of the location and conditions of the subject property, the current building technology conditions can realize effective land use of the subject property;
- (3) Economic feasibility: According to the market research of land uses in the area of the subject property, there is a high demand for industrial real estate in the area. Therefore, it is profitable and economically feasible to develop and utilize the subject property as the industrial real estate.

In summary, the most effective utilization mode of the subject property is industrial land.

Part III Appraisal Result and Its Use**I. APPRAISAL BASIS****(I) Applicable national laws, regulations, administrative rules and policies**

1. *Property Law of the People's Republic of China* (Order of the President of the PRC, No. 62, effective date: 1 October 2007);
2. *Land Administration Law of the PRC* (Order of the President of the PRC, No. 28, effective date: 28 August 2004);
3. *Urban Real Estate Administration Law of the PRC* (Order of the President of the PRC, No. 72, effective date: 30 August 2007);
4. *Urban and Rural Planning Law of the PRC* (Order of the President of the PRC, No. 74, effective date: 28 October 2007);
5. *Implementation Regulations on the Land Administration Law of the PRC* (No. 256 Order of the State Council on 24 December 1998, implemented as of 1 January 1999);
6. *Notice of the State Council on Strengthening the Administration of State-owned Land Assets* (Guo Fa No.[2001] 15, published on 31 April 2001);
7. *Regulation of the State Council on Deepening the Reform of Land Administration* (Guo Fa No. [2004] 28, published on 21 October 2004);
8. *Notice of the State Council on Promoting the Land Saving and Intensive Use* (Guo Fa No. [2008] 3, published on 3 January 2008);
9. *Notice of the Ministry of Land and Resources of the PRC on Issues concerning the Implementation of the Regulations for Gradation and Classification on Urban Land (GB/T18507-2014) and Regulations for Appraisal on Urban Land (GB/T18508-2014)* (Guo Tu Zi Ting Fa No. [2015] 12, published on 18 March 2015);
10. *Notice of the Ministry of Land and Resources of the PRC on Achieving the Current Work of Land Registration and City Cadastral Investigation* (Guo Tu Zi Fa No. [2000] 105, effective date: 30 March 2000).

(II) Applicable local laws, regulations, administrative rules and policies

1. *Implementation Measures of Guangdong on the Land Administration Law of the PRC* (revised on 26 September 2003);
2. *Regulations on the Land Use Rights Trading Market of Guangdong* (Order of No. 79 of People's Government of Guangdong Province on 31 October 2002);
3. *Notice on the Implementation Rules on Land Acquisition Compensation for Land not Acquired within the Scope of Urban Planning of Duanzhou* (Zhao Fu No. [2003] 41, effective as at 30 September 2003);
4. *Reply of Department of Finance of Guangdong Province, Guangdong Local Taxation Bureau, and Department of Land and Resources of Guangdong Province on Verification of Applicable Tax for Farm Land Occupation Tax* (Yue Cai Fa No. [2009] 46, effective as at 1 January 2008);
5. *Administration Measures on Supplementary Land for Non-agriculture Development of Guangdong* (No. 146 Order of the People's Government of Guangdong Province, effective as at 1 September 2010);
6. Other policies, rules, implementation measures and notices issued by People's Government of Guangdong Province.

(III) Technical Standards

1. GB/T18508-2014 *Regulations for Appraisal on Urban Land* (effective as at 1 December 2014);
2. GB/T18507-2014 *Regulations for Gradation and Classification on Urban Land* (effective as at 1 December 2014);
3. GB/T21010-2007 *Current Land Use Condition Classification* (effective as at 10 August 2007);
4. GB/T1009-2007 *Regulations for Dynamic Monitoring on Urban Land Price* (published on 1 September 2007).

(IV) Relevant materials provided by the client

1. *Certificate for the Use of State-owned Land* “Zhao Fu Guo Yong (2015) No. 0080069”;
2. Other relevant files, charts and data provided by the client.

(V) Materials obtained through on-site survey and investigation of the appraisal company and appraisers

1. On-site survey records, image data;
2. Relevant real estate market information obtained by the appraisal company;
3. Construction cost information in the area of the subject property;
4. Relevant information obtained by appraisers through on-site survey, investigation and collection.
 - (1) Location of the subject property;
 - (2) Survey on the current utilization of the subject property;
 - (3) Survey on the subject property’s inside and outside public facilities and infrastructure;
 - (4) Investigation on the similar land use in the same supply and demand circle of the subject property;
 - (5) Other relevant information collected through appraiser’s on-site survey.

II. LAND APPRAISAL**(I) Appraisal principles**

The price of land is determined by the interaction of three factors, namely, its utility, the relative scarcity and effective demand, and these factors are always changing. Land appraisal must accurately analyze and determine its changing trend to obtain accurate appraisal. In this appraisal, we have mainly followed the appraisal principles below based on the land appraisal technical specification and the specific conditions of the subject property:

1. Principle of legality

The appraisal of the land use right price should be subject to the legitimate use of the subject property.

2. Principle of substitution

The appraisal should be based on the transaction prices in the land market that has similar conditions and the same or similar functions with the subject property in nearby areas or similar areas, and the appraisal result should not deviate significantly from the objective price of an alternative land.

3. Principle of supply and demand

Land appraisal should be based on land prices determined by market supply and demand and take into full account the special nature of land supply and demand and regional land market.

4. Principle of change

Appraisers should learn about the factors that affect land price and the changing trend of land price so as to give accurate appraisal results.

(II) Appraisal method

In accordance with the *Regulations for Appraisal on Urban Land* (GB/T18508-2014, “Regulations”), the main technical methods of land appraisal are comparison method, income method, residual method, cost approach method, and public land price coefficient correction method. The selection of appraisal method should follow the technical process of land appraisal. Select appropriate appraisal method based on the local property market conditions and the specific features of the subject property and the appraisal purpose.

Upon careful analysis of the collected information and on-site survey, appraisers should use public land price coefficient correction method and cost approach method as the basic appraisal methods for this appraisal in accordance with the land market conditions of the area where the subject property is located and the actual conditions of the project. Major reasons for selecting the said methods are as follows:

Appraisal Method Suitability Analysis

Available appraisal methods	Market comparison method	Income method	Residual method	Cost approach method	Public land price coefficient correction method
Definition of appraisal method	When calculating the price of the subject property, the appraiser should follow the principle of substitution and compare the subject property with alternative and similar land parcel traded recently in the market around the date of value and modify the traded price of such similar land before calculating the price of the subject property.	In line with the principle of expected earnings, this method calculates the price of the subject property by restoring the future normal annual net income (rent) of the property with certain restoring rate.	Base on the calculated price in normal trading of the developed property, this method will deduct the normal estimated development costs and relevant professional fees, interests, profits and taxes and calculates the land price based on the balance.	This method determines the land price mainly based on the sum of all objective costs required to obtain and develop the land as well as the objective profits, interests, taxes payable and added value of land.	This method compares the regional conditions and specific conditions of the subject property with that of the public land price by using the land prices published by government such as the urban benchmark land prices (unit value) and marked price of land as well as the results of other land price correction systems, and then calculates the price of the subject property on the date of value through correction based on the principle of substitution.
Select or not	No	No	No	Yes	Yes
Reasons of appraisal method selection	According to the market survey, appraisers found that the land market of the area of the subject property was not active and transfers (or transactions) of similar land within the area (the same circle of supply and demand) were fewer, and therefore, did not use this method for this appraisal.	The subject property is a built project with actual earnings, and the overall income of real estate is determined by multiple factors. For the earnings generated by non-land factors cannot be separated, this method was not selected.	The subject property is used for industrial purpose, and generally this method is not suitable for such property.	Many land parcels similar to the subject property in the area have been acquired, and it is easy to investigate and collect the materials such as the land development costs; therefore, this method has been used in this appraisal.	The subject property is located in the area covered by the benchmark land price. The benchmark land price of Zhaoqing Hi-tech Zone was published on 30 November 2015 and implemented from 1 January 2016. The appraisal date was 31 December 2014. Given the limitation of timeliness of the benchmark land price on the date of value and the detailed correction system; therefore, this method has been used in this appraisal.

(III) Appraisal result**1. Determination method and basis of appraisal result**

In line with the principles of fairness, impartiality and objectiveness, and based on the on-site survey, extensive collection of relevant market information and information of the subject property, appraisers have fully analyzed the factors affecting the price of the subject property and adopted the suitable appraisal method to evaluate the subject property. Based on the public land price coefficient correction method, the appraisal result (land price in unit area) is RMB396 per square meter, and the appraisal result (land price in unit area) obtained based on the cost approach method is RMB364 per square meter.

In accordance with the land price appraisal technical specifications and the specific conditions of the subject property, this appraisal uses the public land price coefficient correction method and cost approach method to calculate the price of the subject property. The results obtained through the said two methods are similar and we have taken into account the following matters when determining the final land price;

(1) Public land price coefficient correction method:

This method compares the regional conditions and specific conditions of the subject property with that of the public land price by using the land prices published by government such as the urban benchmark land prices (unit value) and marked price of land as well as the results of other land price correction systems, and then calculates the price of the subject property on the date of value through correction based on the principle of substitution. The benchmark land price of Zhaoqing Hi-tech Zone was published on 30 November 2015 and implemented from 1 January 2016. The appraisal date was 31 December 2014. For the limitation of timeliness of the benchmark land price on the date of value, through the investigation and verification of the market price of similar land to the subject property we found that the calculation result of the public land price coefficient correction method was close to the market value;

(2) *Cost approach method:*

This method determines the land price mainly based on the sum of all objective costs required to obtain and develop the land as well as the objective profits, interests, taxes payable and added value of land. Cost approach method accumulates costs and its result is an “arithmetic price”. But the subject property here has already been developed and used; therefore, this appraisal has been carried out based on the actual conditions of the subject property and the average conditions of the area where it is located, as well as the development cost and land utility, and thus it can objectively illustrate the land price of the subject property;

Based on the foregoing reasons, the final appraisal result of the subject property has been calculated using simple mathematics together based on the experience of appraisers. The weight values are as follows: public land price coefficient correction method: 0.5; cost approach method: 0.5;

2. *Determination of appraisal result*

Land price per unit area stated in the certificate = public land price coefficient correction method (land price per unit area) \times 0.5 + cost approach method (land price per unit area) \times 0.5

$$\begin{aligned} &= 396 \times 0.5 + 364 \times 0.5 \\ &= \text{RMB}380/\text{square meter (rounded to single digit)} \end{aligned}$$

Land price of the area stated in the certificate = unit land price stated in the certificate \times land area stated in the certificate

$$\begin{aligned} &= \text{RMB}380/\text{square meter} \times 104,275.41 \text{ square meters} \\ &= \text{RMB}39.6247 \text{ million (rounded to the nearest hundred)} \end{aligned}$$

3. *Appraisal result*

Upon the appraiser's on-site survey and overall analysis of factors affecting land price, in accordance with the appraisal purpose and the land conditions of the subject property and based on the appraisal principles, appraisal process and scientific appraisal method, the appraisers have calculated and determined that the market price of the state-owned land use right of the subject property is:

Land area:	104,275.41 square meters
Unit land price:	RMB380/square meter
Total price:	39.6247 million
In word (RMB):	Thirty Nine Million Six Hundred and Twenty-Four Thousand Seven Hundred Only

See the *List of Land Appraisal Results* for more details about the appraisal of the subject Property.

III. APPRAISAL RESULT AND THE USE OF APPRAISAL REPORT

(I) Prerequisites and assumptions of appraisal

1. User of the land use right of the subject property has legitimately obtained and paid the land use right and has paid relevant taxes.
2. The subject property can receive the most effective use under its designated use purpose and will generate corresponding land revenue.
3. The real estate market is a fair, open, objective and balanced market on the date of value.
4. Any operations and procedures related to the subject property comply with applicable national and local laws, regulations, guidelines and policies.
5. The prerequisite for this appraisal is that the subject property meets the requirements for use purpose development, land use period, the development and utilization conditions and date of value concerning the land price definition as set forth in this appraisal report.

6. The appraisal result is valid subject to the reliable and authentic data provided by the client. If the appraisal result becomes invalid due to the incorrect data provided by the client, the appraisal company shall not bear any responsibility thus incurred.

(II) Appraisal result and the use of appraisal report

1. Appraisers prepared this appraisal report based on the *Regulations for Appraisal on Urban Land* (GB/T18508/-2014, effective as at 1 December 2014), and opinions and conclusions have been made. This appraisal report and its results shall become legally binding in accordance with relevant laws and regulations.
2. This report and the appraisal results can only be used for reference by the client when pricing the entrusted land parcel to buy shares, and should not be used as final price or for other purposes of services. We are not liable to any third party for this report and the appraisal results. The appraisal result will be invalid if it is used for other purposes.
3. This report should be used in whole. The appraisal company does not bear any liability for the losses caused by the use of part of this report. *Land Appraisal Report* will be provided to the client for use, and the *Land Appraisal Technical Report* will only be submitted to land management departments for investigation and will not be provided to the client.
4. The valid term of the appraisal report shall be one year commencing on the submission date thereof in case of no major fluctuations in the macro real estate market, and subject property should be re-appraised in case of major market fluctuations or the one-year term expires.
5. The result of this appraisal report is the land use right price upon the satisfaction of the land price definition. If the any factor affection the land price changes such as the land use purpose, date of value, land development, land use period and land area, the appraisal result and the report should be adjusted accordingly.
6. The appraisal result of the report should be signed by more than two (inclusive) registered land appraisers, the legal representative of the land appraisal company and stamped by said company to take effect.

7. The use right of this report and the appraisal result shall belong to the client and the appraisal company has the right to interpret this report and the appraisal result.
8. Without the consent of the appraisal company, any or all contents hereof shall not be published in any public journals and news media; otherwise, the legal liabilities of concerned party will be investigated. With regard to any other illegal use of this report and the appraisal result, the appraisal company reserves the right to investigate the liabilities of concerned firms or individuals.

(III) Notes on special matters

1. Appraisal company and appraisers are not responsible for determining the ownership of the property, and the client shall be liable for the authenticity, legality and accuracy of the data it provides. Appraisal company is responsible for the authenticity and accuracy of the data it collects and the compliance of the appraisal report with national appraisal regulations.
2. Upon the compliance with applicable national laws, regulations, appraisal regulations and local land prove appraisal technical standards, appraisers should determine the appraisal principles, methods and parameters based on the suitability, reliability and feasibility of the appraisal method, together with the purpose of this appraisal and the land price level of the area where the subject property is located as well as their experience.
3. Special treatment in appraisal
 - (1) In accordance with the *Certificate for the Use of State-owned Land* “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the land use right expires on 4 November 2063, the remaining use period of the subject property by the date of value is 47.5 years and therefore the remaining user period thereof in this appraisal is 47.5 years on the date of value. The remaining use period of the land is subject to the above determination. If the remaining use period of the subject property identified by competent authorities is different from that set forth above, the appraisal report should be adjusted accordingly;

- (2) According to the *State Owned Land Use Certificate* “Zhao Fu Guo Yong (2015) No. 0080069” provided by the client, the area recorded is 104,275.41 square meters and the recorded purpose of the land is industrial land (061). According to the site survey, there are eight buildings on the land, and none of them is granted a real estate certificate. Total construction area is 89,906.60 square meters, and these buildings are designed for R&D building, comprehensive building and workshop respectively. Currently, they serve as R&D building, dormitory buildings and workshops respectively. The use conditions of these buildings are good on the date of value. The present plot ratio of the subject property is 0.86. According to a market survey on similar lands around the subject property, most of the lands around are used for industrial purpose. Based on the principle of legality and the principle of most effective use and in view of the present use of the subject property and market survey on similar lands around, this appraisal assumes that the land use of the subject property is industrial land the plot ratio is 0.86. Relevant planning conditions of the subject property should be subject to the above determinations. If there is any discrepancy between said determinations and the planning index eventually designated by competent authorities, the appraisal report should be adjusted accordingly.

Part IV Appendixes

- Appendix 1 Letter of Authorization for Land Appraisal (Photocopy)
- Appendix 2 Business License of the Client (Photocopy)
- Appendix 3 Ownership Proof Files of Subject Property, the State-owned Land Use Certificate
- Appendix 4 Land Parcel Location Schematic Drawing
- Appendix 5 Business License of the Appraisal Company (Photocopy)
- Appendix 6 Qualification Certificate of the Appraisal Company (Photocopy)
- Appendix 7 Qualification Certificate of Land Appraiser (Photocopy)
- Appendix 8 Brief Introduction of Appraisal Company and Land Appraiser
- Appendix 9 Brief Illustration of Appraisal Methods

APPENDIX 8**Brief Introduction of Appraisal Company and Land Appraiser**

The appraisal company, Guangdong Hengda Real Estate and Land Appraisal Co., Ltd., is a member of Guang Dong Institute of Real Estate Appraisers and Agents. It has obtained the “Qualification Certificate of Real Estate Price Appraisal Institution (Second Grade) (房地產估價機構資質證書(二級))” issued by the Guangdong Provincial Housing and Urban-Rural Development Department of the People’s Republic of China on August 2014 under the Order No. 142 issued by Ministry of Construction of the People’s Republic of China (now known as the Housing and Urban-Rural Development Department) in 2005.

Mr. Luo Xiaoqiu and Ms. Liang Jiezhen are appraisers duly registered with the Ministry of Land and Resources of the People’s Republic of China pursuant to “The Interim Measures for the Land Appraiser Qualification Examination (土地估價師資格考試暫行辦法)”.

Mr. Luo Xiaoqiu and Ms. Liang Jiezhen have 8 and 9 years’ post qualification experience, respectively, in the valuation of land in the People’s Republic of China.

APPENDIX 9

Brief Illustration of the Public Land Price Coefficient Correction Method

To derive the land price per unit area (i.e. RMB396/square meter) using the public land price coefficient correction method, the following formula is used:

$$\begin{aligned} P_a &= P_b \times (1 + \sum K_i) \times K_y \times K_q \pm F \\ &= 376 \text{ (RMB/square meter)} \times (1+0.0209) \times 0.9910 \times 1.0304 \times 1.01 \\ &= 396 \text{ (RMB/square meter)} \end{aligned}$$

Where

P_a = Appraisal result = RMB396/square meter;

P_b = the urban benchmark land price (unit value) and marked price of land are based on the highest grade (Grade I) of the industrial land benchmark land price table from “Zhaoqing New High-tech Industrial Development Zone benchmark land price table”, published by PRC government on 30 November 2015 and implemented from 1 January 2016, equal to 376 (RMB/square meter)

$(1 + \sum K_i) \times K_y \times K_q \pm F$ = the result of other land price correction

In which:

K_i = Area i factor correction coefficient (using the table for regional factor correction coefficient of industrial land)

K_y = Life correction coefficient

K_q = Duration correction coefficient

K_g = Other individual factors correction coefficient

F = Land development level correction value = 0 (since the development level of this land parcel has achieved “Five Supplies” outside the land parcel and the site has been leveled within the red line, correction of the land development level is not required)

The above coefficient (correction factor) is based on “Urban Land Valuation Procedures” and “Updated Report on Benchmark Town Land Price of Zhaoqing High-tech Industrial Development Zone” and its various correction coefficient table, adjusted after considering the current conditions in Zhaoqing New Hi-tech Zone including major factors, amongst other, traffic condition, concentration of specific industry, city infrastructure, developing plan, environmental quality, plot ratio, usable years, etc.

Influence of regional factors of land price, degree of quality, and correction coefficient result (ΣKi) of the parcel to be evaluated

Influence Factor	Factor Description	Degree of Quality	Correction Coefficient
Frontage road type	Traffic-type secondary road	Inferior	-0.01
Distance from the long-distance bus station	1500-2000 m	Superior	0.021
Distance from the light rail station	2800-3500 m	Inferior	-0.0027
Distance from the port terminal	2800-3500 m	Inferior	-0.0039
Distance from the expressway entrance/exit	2800-3500 m	Inferior	-0.005
Conditions of water supply facilities	Relatively sufficient water supply and high guarantee rate	Superior	0.0036
Conditions of drainage facilities	Relatively smooth drainage and occasional waterlog	Superior	0.0028
Conditions of power supply facilities	Relatively sufficient power supply and high guarantee rate	Superior	0.0036
Noise pollution situation	Relatively quiet	Superior	0.0018
Atmospheric pollution situation	Relatively good quality	Superior	0.0018
Industrial agglomeration scale	Relatively strong	Superior	0.0036
Road planning status	Recent planning prospects relatively good	Superior	0.0023
Land use planning	Small industrial zone	Superior	0.002
Total	ΣKi		0.0209

Life correction coefficient (Ky)

Assume that the land reduction rate is 6.00% and the statutory maximum transfer period shall be 50 years, the industrial land is calculated using the annual correction coefficient. The annual correction coefficient is calculated using the following formula:

$$k = [1 - 1/(1 + r)^n] / [1 - 1/(1 + r)^m]$$

Wherein:

k – Life correction coefficient

r – Land reduction rate 6.00%

n – Actual transfer period

m – Statutory maximum transfer period of land use right

The remaining land use period of the land parcel to be evaluated is 47.5 years, so the period shall be corrected. The life correction coefficient is calculated as being 0.9910 using the above correction coefficient formula of land use period.

Duration correction coefficient (Kq)

The method of calculating duration correction factor (Kq) is converting the link index into fixed-base index, $Kq = \text{Monthly link index } n$ (n is the discrepant month). Since the local land and resources department has not published the land price index within the region where the to-be-appraised parcel is located, the appraisers collected cases of commercial and residential lands as well as industrial lands in Zhaoqing High-Tech Zone from 2011-2015 on website of Guangdong Land Market, calculated the total transferred land area and price and got the annual average transfer price of lands for different purposes, with which calculated the land price monthly link index of every year. According to the Chain Price Index Table of Industrial Lands of Zhaoqing High-Tech Industrial Development Zone, the calculated Kq of the to-be-appraised parcel on appraisal date is:

Item	Valuation Date	Correction Coefficient
Benchmark land price	31 December 2014	–
Subject property	19 May 2016	1.0304

Accordingly, $Kg = 1 + 0.01 = 1.01$.

Other individual factors correction coefficient (Kg)

The main individual factors affecting the industrial land price are the parcel shape and area. In comprehensive consideration of the influence degree, the calculation formula of individual factor correction coefficient (Kg) is as follows: $Kg = (1 + \sum Ki)$.

Influence Factor	Condition Description	Degree of Quality	Correction Coefficient
Parcel shape	General shape, without adverse effect of land use	General	0.00
Parcel area	Area relatively favorable for land use	Superior	0.01
Total ($\sum Kgi$)			0.01

Assumptions of this method

The prerequisites and assumptions of this valuation have been detailed in “(I) Prerequisites and assumptions of appraisal” under “III. Appraisal Result and the Use of Appraisal Report” in the third part of this report. Assumptions related to this method are as follows:

1. Assume owner of the land use right of the valuation object has legitimately obtained and paid the land use right and has made relevant tax payments.
2. Assume the valuation object is utilized most efficiently under its designated use purpose and will generate the corresponding land revenue.
3. Assume the real estate market on the valuation date is an open, fair, objective and balanced market.
4. Assume all the operation and procedures related to the valuation object comply with the related national and local laws, regulations, guidelines and policies.
5. Assume the valuation object can meet the requirements for use purpose development, land use period, the development and utilization conditions and date of valuation concerning the land price definition as set forth in this appraisal report.

6. Assume the data provided by the client is lawful, authentic, accurate and complete.
7. Assume the Zhaoqing New High-tech Industrial Development Zone Benchmark Land Price Table will not be changed significantly within the year.
8. Assume the regional factor correction coefficient table of industrial land in the Updated Report on Benchmark Town Land Price of Zhaoqing New High-tech Industrial Development Zone will not be changed significantly within the year.

Brief Illustration of the Cost Approach Method

To derive the land price per unit area (i.e. RMB364/square meter) using the cost approach method, the following formula is used:

$$P = E_a + E_d + T + R_1 + R_2 + R_3 = P_e + R_3$$

Whereas

P = Appraisal result = RMB364/square meter

E_a = Land acquisition costs

E_d = Land development costs

T = Tax

R_1 = Interest

R_2 = Profit

R_3 = Land appreciation value

P_e = Land cost

Specific calculation process

No.	Item	Calculation Method and Description	Value and Result
1	Land acquisition cost: (RMB40000-50000/Mu for each county under Zhaoqing City)	45000	67.5
2	Relevant taxes:	2=A+B	68
A	Farmland occupation tax	RMB40/square meter for the hi-tech zone	40.00
B	Farmland reclamation fee	RMB28/square meter within the municipal district	28.00
3	Land development costs	RMB95/square meter for the "Five Supplies and One Leveling" cost	95
4	Development duration (year)	Determine the development cycle according to the land scale	1
5	Loan interest rate	One-year loan interest rate	4.35%
6	Interest on investments	Calculated by compound interest	7.94
7	Investment profit	15%	34.58
8	Land appreciation value	30%	81.91
9	Indefinite period price	RMB/square meter	354.93
10	Remaining land use years of the entrusted land parcel	Year	47.5
11	Limited period price (RMB/square meter) (rounded to single digits)	6% adopted for the land reduction rate	332.64

1. Land acquisition cost refers to various objective costs paid for obtaining the land use right within the region where the to-be-appraised parcel is located, i.e. the average cost for acquisition of similar lands. Land acquisition cost includes land compensation fees, labor settlement fees, and compensation fees for crops and other attached objects. The land acquisition cost of this appraisal should refer to the compensation standards for land acquisition of Duanzhou District. In accordance with the Provisions on Compensation for Acquisition of Un-expropriated Lands within Urban Planning Scope in Duanzhou District, Guangdong and Document, Zhao Fu [2003] No.41 issued by the Municipal People's Government of Zhaoqing, Guangdong, the land compensation fee and settlement fee in counties of Zhaoqing should be RMB40000-50000/mu, and RMB45000/mu is applied in this appraisal.
2. The farmland occupation tax in relevant taxes shall be implemented from January 1, 2008 according to the Official Reply on Determining the Amount of Farmland Occupation Tax in Zhaoqing issued by Department of Finance of Guangdong Province, Guangdong Local Taxation Bureau, and Department of Land and Resources of Guangdong Province (Yue Cai Fa [2009] No.46), said tax amount for lands in high-tech zone is RMB40/square meter.
3. The farmland reclamation fee in relevant taxes shall be implemented from 1 September 2010 according to Article 10 of Government Order No.146 of the Provincial People's Government of Guangdong Measures on Non-Agricultural Construction Supplementary Cultivated Land in Guangdong Province, the farmland reclamation fee shall be paid according to following standards (calculated as per square meter): RMB28/square meter in the municipal district. The parcel to be appraised is located in Zhaoqing High-Tech Zone, so the farmland reclamation fee applied in this appraisal is RMB28/square meter.
4. The benchmark price of industrial lands in high-tech zone shall be the price of cultivated lands developed to the extent of "five supplies and one leveling" (supply of water, electricity, gas, communication, and drainage and land leveling). When applying the benchmark land price method in parcel appraisal, if the parcel is under or over the development extent of benchmark lands, development fees shall be deducted or added accordingly as the case may be. Through investigation on land development market surrounding the parcel and in combination of utilization situation of the parcel to be appraised, land development fee of said parcel was defined as RMB95/square meter.

5. Investment interest rate shall be subject to the loan interest rate of fixed assets within one year (inclusive) of 4.35% published by the People's Bank of China on the appraisal date.
6. It can be seen through market investigation that the average rate of profit of industrial land development in high-tech zone is 10%-20%, and 15% was applied in this appraisal.
7. By comparing the prices of similar construction lands before and after development in the area where the parcel is located, it was found that mostly the added value is 20%-40% of the cost price, combining the specific situation of the subject property, the value-added ratio was defined as 30%, i.e. 30% of the cost price (sum of land acquisition cost, land development fee, interest, and profit etc.)
8. According to the cost approach formula, price of unlimited land use right = (land acquisition cost + land development fee + taxes + interest + profit + land value increment benefit).
9. Land value increment of this appraisal is defined based on the difference between unlimited market price and cost price; therefore it's necessary to conduct year correction.

According to the parcel map in the Certificate for the Use of State-owned Land "Zhao Fu Guo Yong (2015) No. 0080069" provided by the client, the parcel area stated in the certificate is 104,275.41 square meters, and the blue line area is 114,242.9 square meters, then:

Total land price of the blue line area = Limited period price x Blue line area

$$= 332.64 \times 114242.9 \div 10000$$

$$= 3800.18 \text{ (ten thousand Yuan)}$$

Unit land price of
the area stated
in the certificate

$$= \text{Total land price of the blue line area} \div \text{Area stated in the certificate}$$

$$= 3800.18 \times 10000 \div 104275.41$$

$$= \text{RMB}364.44/\text{square meter}$$

(The calculation result determined with the cost approach method is RMB364/square meter) (rounded to single digit).

To determine the land price per unit area using the cost approach method, the appraiser uses land acquisition and development costs as the main basis, plus profit, interest, tax and land value increment. The information is obtained objectively from the following sources:

- 1) The Implementation Rule on Compensation of Land Levy in Duanzhou District of Guangdong Province;
- 2) Zhaoqing New High-tech Industrial Development Zone Benchmark Land Price Table and Land Development Level Correction Value Table;
- 3) The Approval of Applicable Tax on Arable Land Occupation from Department of Finance of Guangdong Province, Administration of Local Taxation of Guangdong Province and Department of Land and Resources of Guangdong Province;
- 4) One year (inclusive) lending rate published by the People's Bank of China;
- 5) Relevant law on the land appreciation tax in the PRC.

Assumptions of this method

The prerequisites and assumptions of this valuation have been detailed in “(I) Prerequisites and assumptions of appraisal” under “III. Appraisal Result and the Use of Appraisal Report” in the third part of this report. Assumptions related to this method are as follows:

1. Assume owner of the land use right of the valuation object has legitimately obtained and paid the land use right and has made relevant tax payments.
2. Assume the valuation object is utilized most efficiently under its designated use purpose and will generate the corresponding land revenue.
3. Assume the real estate market on the valuation date is an open, fair, objective and balanced market.
4. Assume all the operation and procedures related to the valuation object comply with the related national and local laws, regulations, guideline and policies.

5. Assume the valuation object can meet the requirements for use purpose development, land use period, the development and utilization conditions and date of valuation concerning the land price definition as set forth in this appraisal report.
6. Assume the data provided by the client is lawful, authentic, accurate and complete.
7. Assume the land acquisition cost references the land expropriation compensation standard of Duanzhou District will not be changed significantly within the year.
8. Assume the related taxes will not be changed significantly within the year.
9. Assume the loan interest rate of fixed assets within one year (one year included) of the People's Bank of China will not be changed significantly within the year.

Project Name: Appraisal of the market value of the eight buildings in the plant of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing

Client: Zhaoqing Leoch Battery Technology Co., Ltd.

Appraisal Company: Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.

Registered Appraisers: Liang Naiming (Registration No.: 4419980002)
Liao Guoqiang (Registration No.: 4419960054)

Date of Issue: 21 May, 2016

Appraisal Report No.: Heng Kuai Gu Zi [2016] No. 6293

Letter to the Client

Zhaoqing Leoch Battery Technology Co., Ltd.,

Upon entrustment, we have evaluated the eight buildings in the plant of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing. The subject property owner is Zhaoqing Leoch Battery Technology Co., Ltd., and the property is used as office building, dormitory and workshop with a total construction area of 89,906.6 square meters. Entrusted by Zhaoqing Leoch Battery Technology Co., Ltd., we have evaluated the market value of the subject property as a reference for converting it into shares.

In accordance with the appraisal purpose and upon on-site inspection and market investigation, the appraisers, following the *Urban Real Estate Administration Law of the People's Republic of China*, the *Code for Real Estate Appraisal* and the *Basic Terminology of Real Estate Appraisal* as well as other technical standards and in line with the principles of independence, objectivity, impartiality and legality, have used cost approach to analyze, calculate and determine the value of the subject property. The market value of the subject property on the date of value, 19 May, 2016, was RMB121.0653 million (the appraisal result is the value of the buildings of the subject property, excluding the value of the use right to the occupied or shared land thereof and the taxes required by a transfer), **RMB (in word): One Hundred and Twenty-One Million Sixty-Five Thousand and Three Hundred Only** (see the *List of Appraisal Results* for more details).

Prior to the use of this appraisal report, users shall carefully read the report, especially the Assumptions and Restrictive Conditions, so as not to use the report inappropriately and cause losses!

Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.

Legal Representative (Signature):

21 May, 2016

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Statement of Appraisers

In accordance with our own expertise and professional ethics, we hereby solemnly declare:

1. The facts stated herein are authentic and accurate, without any false statement, misleading representation or material omissions.
2. The analysis, remarks and conclusion made in our appraisal report are independent, objective, fair and professional, but limited by the precondition and restrictive condition for appraisal specified in the appraisal report.
3. We have no existing or potential benefits related to the subject property in the appraisal report, no common interests with the client and any interested party, and no prejudice against the subject property, the client or any interested party.
4. We conducted the appraisal and prepared this appraisal report in accordance with the *National Standard Code for Real Estate Appraisal* (GB/T 50291-2015), the *Standard for Basic Terminology of Real Estate Appraisal* (GB/T 50899-2013) and the *Regulations for Valuation on Urban Land* (GB/T 18508-2014) of the People's Republic of China.
5. Our company has carried out on-site survey on the construction structure as well as the indoor and outdoor conditions of the subject property in the appraisal report and made corresponding records. However, the inspection is restricted to the outer appearance and the current status of the subject property, and especially due to the limited data provided, we do not bear any liability related to the construction structure quality, the accuracy of the construction area and corresponding interests, nor do we assume the responsibility for the inspection on the covered, unexposed and unreachable parts of the subject property. We do not assume any responsibility for investigating the structure quality of the buildings.
6. The data related to the construction area and the rights and interests of the subject property in the appraisal report is provided by the client, and the client shall be liable for the authenticity and reliability thereof.

7. Except for the professional staff of our company, no one else provides important professional help for this appraisal report.

Name of Registered Appraiser	Registration No.	Signature	Signing Date
Liang Naiming	4419980002		21 May 2016
Liao Guoqiang	4419960054		21 May 2016

Assumptions and Restrictive Conditions

(I) GENERAL ASSUMPTIONS OF THIS APPRAISAL

1. The client has provided the relevant data of the subject property, and we did not verify such data with competent authorities. With no cause to doubt the legality, authenticity, accuracy and completeness of the data, it is assumed that the data provided by the client are legitimate, authentic, accurate and complete.
2. Registered real estate appraisers have paid attention to major factors affecting the value of the subject property such as the safety and environment pollution thereof. With no cause to doubt that the subject property has potential safety risks and in the absence of verification and inspection of relevant institutions, it is assumed that the subject property can be used normally and safely.
3. Registered real estate appraisers have not conducted professional measurement on the actual construction area of the subject property. Upon the on-site survey, the construction area of the subject property is almost the same as that recorded in the materials provided by the client.
4. The real estate market of the subject property on the date of value is an open, fair and voluntary market which meets the following conditions:
 - (1) The parties to the transaction conduct voluntary trading;
 - (2) The parties to the transaction conduct transactions out of self-serving motives;
 - (3) The parties to the transaction are shrewd and cautious, and understand the transaction object and market conditions;
 - (4) The parties to the transaction have sufficient time to carry out the transaction;
 - (5) No buyers give additional bids because of special interests.
5. The subject property shall enjoy the right of access to public areas and the right to use common facilities such as water and electricity.

(II) SPECIAL ASSUMPTIONS OF THIS APPRAISAL**1. Assumptions of undecided matters**

- (1) The subject property does not have the Certificate of Ownership. According to the data provided by the client, the objects for this appraisal are reinforced concrete and steel structures with a total area of about 89,906.6 square meters.
- (2) The subject property does not have the Certificate of Ownership. According to the on-site survey of registered real estate appraisers, the buildings are all built in 2011 and the completion year of the subject property shall be subject to the actual inspection.
- (3) The subject property does not have the Certificate of Ownership. According to the data provided by the client and the on-site inspection of registered real estate appraisers, the subject property is now used as office building, dormitories and workshops. The legitimate use of the subject property is set to be office building, dormitory and workshop.
- (4) According to the data provided by the client, no plot ratio of the subject property has been recorded. The floor area ratio used for this appraisal shall be subject to the actual floor area ratio.

(III) USE RESTRICTIONS OF THE APPRAISAL REPORT

- (1) The appraisal result shall remain effective within one year since the finalization of the report. Within the use term of the appraisal report if the real estate market or the subject property undertakes material changes, the appraisal result should be adjusted accordingly or the value of the subject property should be re-evaluated.
- (2) The appraisal result is the market value of the subject property without considering payments such as taxes required by estimated transfers.
- (3) The appraisal result of this report is RMB121.0653 million. The result will be provided to the client based on the given purpose. If the appraisal purpose or use condition changes, the appraisal result should be adjusted as required upon the consultation with our company or should be re-evaluated.

- (4) Without the written consent of the appraisal company, all or part of this appraisal report and any reference data shall not be cited in any publicly published articles, announcement or statements, and shall not be published by any other means.

- (5) Any version of this appraisal report after revision, page-changing or photocopy shall be deemed invalid.

Appraisal Result Report

Appraisal Report No.: Heng Kuai Gu Zi [2016] No. 6293

(I) CLIENT

1. Client: Zhaoqing Leoch Battery Technology Co., Ltd. (“Client”)
2. Address: Industrial Park of New High-tech Industrial Development Zone, Zhaoqing
3. Legal Representative: Wang Yan
4. Contact Person: Miss Huang
5. Tel: 13922627836

(II) APPRAISAL COMPANY

1. Name: Guangdong Hengda Real Estate and Land Appraisal Co., Ltd.
2. Legal Representative: Luo Xiaoqiu
3. Address: Room 201-1, Building A, No. 44, Heping Road, Zhaoqing
4. Business License Registration No.: 441200000005417
5. Qualification Level: Grade B
6. Administrative License No.: Yue Jian Xu Zhun [2013] No. 756
7. Certificate No.: Yue Fang Gu Zheng Zi Er No. 0000031
8. Tel: 0758-2790083, 2792244 (Fax)

(III) SUBJECT PROPERTY

Scope of the subject property

We have primarily verified the photocopies and data of the scope of this appraisal and other basic data provided by the client, and the scope of the appraisal designated by the client is: eight buildings in the plant of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing (see the following table for more details, including the water and power supply, and supporting facilities such as fire fighting facilities, and excluding the use right to the land it occupies or shares).

1. Status of the subject property

No.	Name of Subject Property	Actual Number of Structure Layers	Completion Time	Construction Area (m^2)	Current Purpose of Use	Well-preserved State of the Building	Decoration Description
1	R&D Building	Six-story reinforced concrete structure	Newly built in 2011	4,904.36	Office Building	90%	Exterior wall: Aluminum plastic composite panel Interior wall: putty and latex paint, tiled wall to the ceiling; Ceiling: putty and latex paint, aluminum panel ceiling; Building floor: polished tiles; Doors & windows: glass door, plywood door, aluminum windows; glass curtain; water and electricity facilities.
2	Comprehensive Building I	Six-story reinforced concrete structure	Newly built in 2011	4,074.26	Dormitory	90%	Exterior wall: small bricks; Interior wall: putty; Ceiling: putty; Building floor: wear-resistant tiles; Doors & windows: iron gate, aluminum and glass door, aluminum windows; water and electricity facilities.
3	Comprehensive Building II	Six-story reinforced concrete structure	Newly built in 2011	4,074.26	Dormitory	90%	Exterior wall: small bricks; Interior wall: putty; Ceiling: putty; Building floor: wear-resistant tiles; Doors & windows: iron gate, aluminum and glass door, aluminum windows; water and electricity facilities.

APPENDIX II**PROPERTY VALUATION REPORT**

No.	Name of Subject Property	Actual Number of Structure Layers	Completion Time	Construction Area (m^2)	Current Purpose of Use	Well-preserved State of the Building	Decoration Description
4	Comprehensive Building III	Six-story reinforced concrete structure	Newly built in 2011	7,405.42	Dormitory	90%	Exterior wall: small bricks; Interior wall: putty; Ceiling: putty; Building floor: wear-resistant tiles; Doors & windows: iron gate, aluminum and glass door, aluminum windows; water and electricity facilities.
5	Workshop VII	One-story steel structure	Newly built in 2011	19,971.80	Workshop	90%	Exterior wall: color steel plate; Ceiling: steel frame tiling; Building floor: cement mortar; Doors & windows: iron gate, rolling gate, aluminum windows; water and electricity facilities.
6	Workshop VIII	One-story steel structure	Newly built in 2011	19,971.80	Workshop	90%	Exterior wall: color steel plate; Ceiling: steel frame tiling; Building floor: cement mortar; Doors & windows: iron gate, rolling gate, aluminum windows; water and electricity facilities.
7	Workshop IX	One-story steel structure	Newly built in 2011	9,277.70	Workshop	90%	Exterior wall: color steel plate; Ceiling: steel frame tiling; Building floor: part of the cement mortar, part of cement block; Doors & windows: iron gate, rolling gate, aluminum windows; water and electricity facilities.
8	Workshop X	One-story steel structure	Newly built in 2011	20,227.00	Workshop	90%	Exterior wall: color steel plate; Ceiling: steel frame tiling; Building floor: part of the cement mortar, part of floor coating; Doors & windows: iron gate, rolling gate, aluminum windows; water and electricity facilities.

2. Ownership of the subject property

None of the eight buildings in the plant of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing has Certificate of Ownership, and the buildings are used as office building, dormitories and workshops.

3. Location of the subject property

Name of the subject property	The eight buildings in the plant of Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. located in the North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing
Property address	North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing
Road condition	Near the North Industrial Road and South Xing Long No. 5 Road
Urban infrastructure	Municipal water supply, highly stable power supply, good drainage
Industrial agglomeration	The subject property is located in the Industrial Park of New Hi-tech Development Zone, Zhaoqing. The industrial agglomeration is good in the zone.
Future trends of the region	The subject property is located in the Industrial Park of New Hi-tech Development Zone, Zhaoqing, with convenient transportation and sound infrastructure facilities, an advantageous geographical location; with the comprehensive development and reform of the region, the region's industrial scale and transport facilities will be further improved, and therefore the subject property has a certain potential of appreciation.
Remarks	–

(IV) APPRAISAL PURPOSE

Entrusted by Zhaoqing Leoch Battery Technology Co., Ltd., we evaluate the market value of the subject property to provide reference for it to buy shares.

(V) DATE OF VALUE

19 May 2016, on-site survey time.

(VI) TYPE OF VALUE

The market value of the subject property in this appraisal report is the amount of the volunteer transaction between the two sides, who are familiar with the transaction conditions, act prudently and are not forced by others, conducted by means of fair transaction on the date of value after the appropriate marketing of the subject property.

(VII) APPRAISAL BASIS**1. Laws and regulations**

- (1) *The Urban Real Estate Administration Law of the People's Republic of China* (Order of the President of the People's Republic of China, No. 29);
- (2) *The Land Administration Law of the People's Republic of China* (Order of the President of the People's Republic of China, No. 28);
- (3) *The Provisions on the Administration of Urban Real Estate Transfer* (Order of the Ministry of Housing and Urban-Rural Development, No. 96).

2. Technical standards and specifications

- (1) *The Code for Real Estate Appraisal* (CB/T50291-2015) of the People's Republic of China (jointly issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China);

- (2) *The Standard for Basic Terminology of Real Estate Appraisal* (CB/T50899-2013) of the People's Republic of China (jointly issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China)

3. Relevant materials provided by the client

- (1) Photocopy of relevant ownership materials provided by the client;
- (2) Photocopy of other data provided by the client.

4. Relevant materials possessed and collected by the real estate appraisal company and appraisers

- (1) Basic materials such as construction costs collected by the appraisers through investigation;
- (2) Other supporting materials provided by the client and the materials obtained by the appraisers through on-site survey;
- (3) Other inquiry data and references the company collected and the statistical data and technical standards issued by national authorities.

(VIII) APPRAISAL PRINCIPLES

Principle of independence, objectivity, and impartiality:

This principle requires appraisers to hold a neutral stance and, based on the facts, to fairly and objectively provide a value or price reasonable to all interested parties of the appraisal.

Principle of legality:

This principle requires the appraisal result to be the value or price of the subject property under legally determined circumstances.

Principle of date of value:

This principle requires that the appraisal result should be the value or price at specific time determined according to the appraisal purpose.

Principle of substitution:

This principle requires that the difference of value or price of the appraisal result should fall in the reasonable scope compared to the real estate similar to the subject property under the same conditions.

Principle of highest and best use:

This principle requires that the appraisal result should be the value or price of the subject property under its highest and best use.

Highest and best use:

Highest and best use refers to the reasonable and possible use that enables the subject property to generate the maximal value legally allowed, technically possible and economically feasible, including the optimal use, scale and grade.

(IX) APPRAISAL METHOD

The subject property is the building on the ground (excluding the land). In accordance with the *Code for Real Estate Appraisal*, the *Standard for Basic Terminology of Real Estate Appraisal* and the on-site survey of appraisers, as well as the collection, analysis and summary of the features of the subject property, appraisal purpose and affecting factors of the area where the subject property is located and the actual conditions of the subject property, we decided to use cost approach to conduct overall calculation.

Cost approach is to calculate the substitution cost and depreciation of the subject property on the date of value, and then obtain the value or price of the subject property after the deduction of the depreciation from the substitution cost or reconstruction cost.

(X) APPRAISAL RESULT

In accordance with the appraisal purpose and based on the appraisal principles, appraisal process and scientific appraisal method, the appraisers have collected relevant materials and determined the market value of the subject property on the date of value, 19 May 2016, is RMB121.0653 million (the appraisal result is the value of the construction of the subject property, excluding the value of the use right to the occupied or shared property thereof and the taxes required by a transfer), **RMB (in word): One Hundred and Twenty-One Million Sixty-Five Thousand Three Hundred Only** (see the *List of Appraisal Results* for more details). No lease has been entered into in respect of any of the eight buildings exist on the land, and such buildings are held only for owner occupation.

List of Appraisal Results (Currency: RMB)

Subject Property and Appraisal Results		Appraisal Method and Results		Calculation Results	Appraisal Results
				Cost Approach	
R&D Building	Building	Unit Price (RMB/m ²)		2,122	2,122
		Total Price (10k RMB)		1,040.71	1,040.71
Comprehensive Building I	Building	Unit Price (RMB/m ²)		1,997	1,997
		Total Price (10k RMB)		813.63	813.63
Comprehensive Building II	Building	Unit Price (RMB/m ²)		1,997	1,997
		Total Price (10k RMB)		813.63	813.63
Comprehensive Building III	Building	Unit Price (RMB/m ²)		1,997	1,997
		Total Price (10k RMB)		1,478.86	1,478.86
Workshop VII	Building	Unit Price (RMB/m ²)		1,146	1,146
		Total Price (10k RMB)		2,288.77	2,288.77
Workshop VIII	Building	Unit Price (RMB/m ²)		1,146	1,146
		Total Price (10k RMB)		2,288.77	2,288.77
Workshop IX	Building	Unit Price (RMB/m ²)		1,147	1,147
		Total Price (10k RMB)		1,064.15	1,064.15
Workshop X	Building	Unit Price (RMB/m ²)		1,146	1,146
		Total Price (10k RMB)		2,318.01	2,318.01
Total appraisal value (10k RMB)					12,106.53

(XI) REGISTERED REAL ESTATE APPRAISERS ENGAGED IN THE APPRAISAL

Name of Registered Appraiser	Registration No.	Signature	Signing Date
Liang Naiming	4419980002		21 May 2016
Liao Guoqiang	4419960054		21 May 2016

(XII) DATE OF SITE SURVEY

19 May 2016

(XIII) APPRAISAL WORK PERIOD

From 19 May 2016 to 21 May 2016.

(XIV) VALID PERIOD OF THE APPRAISAL REPORT

The valid period of the appraisal report shall be one year commencing on the completion date thereof, which is from 21 May 2016 to 20 May 2017. If the real estate market changes rapidly within one year from the completion date of the appraisal report, the subject property shall be re-appraised.

Annexes

- I. Schematic Drawing of the Subject Property's Location
- II. Ownership Certificate of the Subject Property (Photocopy)
- III. Qualification Certificate of Appraisal Institute and Business License (Photocopy)
- IV. Certificate of Registered Real Estate Appraiser (Photocopy)
- V. Brief Introduction of Appraisal Company and Property Appraiser
- VI. Brief Illustration of the Cost Method

APPENDIX V**Brief Introduction of Appraisal Company and Property Appraiser**

The appraisal company, Guangdong Hengda Real Estate and Land Appraisal Co., Ltd., is a member of the China Institute of Real Estate Appraisers and Agents (“CIREA”) and subject to its professional discipline. It has obtained the “Qualification Certificate of Real Estate Price Appraisal Institution (Second Grade)* (房地產估價機構資質證書(二級))” issued by the Guangdong Provincial Housing and Urban-Rural Development Department of the People’s Republic of China in August 2014 under the Order no. 142 issued by Ministry of Construction of the People’s Republic of China (now known as the Housing and Urban-Rural Development Department) in 2005.

Mr. Liang Naiming and Mr. Liao Guoqiang are appraisers duly registered with the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (“MOH”, formerly known as the Ministry of Construction of the People’s Republic of China) pursuant to the “Provisional Regulations on the Qualification System of Real Estate Appraiser* (房地產估價師執業資格制度暫行)”. Mr. Liang Naiming and Mr. Liao Guoqiang are not members of CIREA. However, as employees of Guangdong Hengda Real Estate and Land Appraisal Co., Ltd. who is a CIREA member, they are required to comply with the professional discipline of CIREA when preparing a property valuation report. Further, they are required under the rules and regulations of MOH to comply with the professional discipline and ethics regulations of the PRC real estate appraisal industry, including those issued by CIREA. Accordingly, they are obliged to comply with the “Code for Real Estate Appraisal” issued by MOH, which is the main professional discipline of CIREA having standard comparable to the property valuation standards of Hong Kong Institute of Surveyors as referred to in Rule 5.05 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Mr. Liang Naiming and Mr. Liao Guoqiang have 17 and 19 years’ post qualification experience, respectively, in the valuation of properties in the People’s Republic of China.

APPENDIX VI**Brief Illustration of the Cost Method**

The appraisal result of the property (i.e. approximately RMB121.06 million) using the cost method is the summation result of each building in which the appraiser appraises using the following formula:

The market value of the building = Construction costs + Management expenses + Interest on investments + Development profits + Sales tax + Selling expenses – Depreciation of buildings

$$\text{RMB121.06 million} = 99.19 + 4.95 + 2.24 + 18.74 + 8.32 + 4.12 - 16.50$$

The description of each element in the formula, assumption and summation result (eight buildings in total) is as follows:

The market value of the building = Appraisal result (eight buildings in total) = RMB121.0653 million

Construction costs = The appraiser derives the construction costs of the subject property based on “Zhaoqing City Construction Cost Information” and Zhaoqing’s some project budget indicators combined with the actual situation of the construction: Construction costs = Σ Construction cost unit price/square meter x Construction area = RMB99.19 million.

Management expenses = all management expenses incurred during the construction of engineering project and related expenses such as professional personnel costs, representing 5% of the construction costs = RMB4.95 million

Interest on investments = The one-year working capital loan rate announced by the People’s Bank of China is used as the interest rate, the adopted rate is 4.35%, the expected construction period of the project is 1 year, and the project construction costs and management expenses are put in evenly in the whole development period, then the interest bearing cycle is 1/2 of the project construction period. The sum of above construction costs and management expenses is the interest bearing base and calculated by the compound interest, equal to RMB2.24 million.

Development profits = Development aims to obtain development profits, which should be consistent with the rate of return on investment of the same trade; according to the investigation on the development profits of real estate similar to the subject property and in combination with the average level of local real estate development profits, the development profits are determined as 18% of the construction costs and management expenses, equal to RMB18.74 million.

Sales tax = The selling price P after construction is used as the calculation base and 6.05% is adopted according to the local tax rate (including the business tax, urban construction and maintenance tax, education surcharge and stamp tax to be borne by the seller, etc.), i.e., Sales tax = $P \times 6.05\%$ = RMB8.32 million.

Selling expenses = The selling price P after construction is used as the calculation base, and the selling expense are about 1% to 3% of the selling price P after construction. According to the investigation on the selling expenses of real estate similar to the subject property and in combination with the actual conditions of the subject property, the selling expenses are determined as 3% of the selling price P after construction, equal to RMB4.12 million.

Depreciation of buildings = The subject property is in the reinforced concrete structure, the durable life of 50 years is adopted for the workshop buildings, and the field is considered to observe the current house situation and house factors such as functional depreciation and determine the residue ratio of this house, which is equal to $(\text{Construction costs} + \text{Management expenses} + \text{Interest on investments} + \text{Development profits} + \text{Sales Tax} + \text{Selling expenses}) \times (1 - \text{Residue ratio}) =$ RMB16.50 million.

Assumptions of this method

The assumptions and restrictive conditions of this valuation have been detailed in “Assumptions and Restrictive Conditions” of this report. Assumptions related to this method are as follows:

1. Assume the data provided by the client is lawful, authentic, accurate and complete.
2. The registered real estate appraiser has focused on major factors affecting the valuation object value such as housing safety and environmental pollution, and it is assumed that the subject property can be used normally and safely provided that there is no reason to suspect safety hazards with the subject property and no corresponding professional institution performs identification and check.
3. The registered real estate appraiser didn't perform professional measurement of the housing construction area. After site survey and observation, it was assumed that the housing construction area of the subject property is basically equivalent to the construction area recorded in the related data provided by the client.

4. Assume the subject property should enjoy the right of access to the public areas and the right to use common facilities such as water and electricity.
5. Assume the Zhaoqing City Construction Cost Information will not be changed significantly within the year.
6. Assume the one-year working capital loan interest rate announced by the People's Bank of China will not be changed significantly within the year.
7. Assume the related sales taxes will not be changed significantly within the year.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of Interest	Number of Shares held ⁽¹⁾	Number of underlying Shares held	Approximate percentage of issued share capital
Mr. Dong	Interest under a trust	1,001,800,000 ⁽²⁾ (L)		74.03%
Ms. Zhao Huan	Beneficial Owner		1,500,000 ⁽³⁾ (L)	0.11%
Mr. Philip Armstrong Noznesky	Beneficial Owner		1,500,000 ⁽⁴⁾ (L)	0.11%
Mr. Cao Yixiong Alan	Beneficial Owner		300,000 ⁽⁵⁾ (L)	0.02%
Mr. Liu Yangsheng	Beneficial Owner		300,000 ⁽⁶⁾ (L)	0.02%

Notes:

- (1) The letter “L” denotes long position in the Shares or underlying Shares.
- (2) Mr. Dong is deemed to be interested in 1,001,800,000 Shares held by Master Alliance, a company wholly owned by Jingle Bells Group Limited, which is in turn wholly owned by DB International Trust (Singapore) Limited. DB International Trust (Singapore) Limited is the trustee of a discretionary trust established by Mr. Dong and the beneficiaries of such trust are family members of Mr. Dong.
- (3) Ms. Zhao Huan has been granted options to acquire 1,500,000 Shares under a share option scheme approved and adopted by the Company pursuant to the resolutions in writing passed by all Shareholders of the Company on 25 May 2010 (the “**Pre-IPO Share Option Scheme**”).
- (4) Mr. Philip Armstrong Noznesky has been granted options to acquire 1,500,000 Shares under the Pre-IPO Share Option Scheme.
- (5) Mr. Cao Yixiong Alan has been granted options to acquire 300,000 Shares under a share option scheme approved and adopted by the Company pursuant to the resolutions in writing passed by all Shareholders of the Company on 14 October 2010 (the “**Share Option Scheme**”).
- (6) Mr. Liu Yangsheng has been granted options to acquire 300,000 Shares under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of issued share capital
Master Alliance	Beneficial owner	1,001,800,000(L)	74.03%
Jingle Bells Group Limited ⁽²⁾	Interest of controlled corporation	1,001,800,000(L)	74.03%
DB International Trust (Singapore) Limited	Interest under a trust	1,001,800,000(L)	74.03%

Notes:

- (1) The letter "L" denotes long position of the Shareholder in the Shares.
- (2) Jingle Bells Group Limited is deemed to be interested in 1,001,800,000 Shares which are held by Master Alliance.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such share capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and none of the Directors or proposed Director is a director or employee of the above-mentioned companies.

3. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, save as disclosed below, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group:

- (i) the master sales agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of sales of products including lead-acid batteries and related parts by the Group to Mr. Dong's Associates;
- (ii) the master purchases agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of purchases of products including battery cases, parts, models, chargers and electronic products and electric scooters by the Group from Mr. Dong's Associates;
- (iii) the master purchases agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of purchases of Battery Facilities by the Group from Mr. Dong's Associates;
- (iv) the master leasing agreement dated 21 March 2016 entered into between the Company and Mr. Dong in respect of the leasing properties by the Group from Mr. Dong's Associates; and
- (v) the Investment Agreement.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save for the seven purchase agreements entered into between Mr. Dong's Associates and the Group all dated 13 August 2015 for the purchases of Battery Facilities at a total consideration of RMB36 million (details of which were disclosed in the announcement of the Company dated 14 August 2015), and the agreements referred to in the paragraph headed "Director's interests in contracts" above, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' COMPETING BUSINESS

As at the Latest Practicable Date, none of Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2015, being the date of which the latest audited financial statements of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

9. MATERIAL CONTRACTS

Save as the Investment Agreement, during the two years immediately preceding the Latest Practicable Date, there are no contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, entered into by the Group and are or may be material.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
KGI Capital Asia Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Guangdong Hengda Real Estate and Land Appraisal Co., Ltd	land and property valuer
Jingtian & Gongcheng	PRC legal advisor to the Company

As at the Latest Practicable Date, the above expert:

- (a) had no direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) had no direct or indirect interest in any assets which has been acquired or disposed of, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up; and
- (c) had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinions dated 21 May 2016 (for land valuation report and property valuation report), 18 July 2016 (for letter from the Independent Financial Advisor) and 24 June 2016 (for the PRC legal opinion) and/or the references to its names included herein in the form and context in which it is included.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chow Kam Keung, Albert, who is a Fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a CFA charter holder and a member of the Chinese Institute of Certified Public Accountants.
- (b) The registered office, head office and the principal place of business of the Company is at Workshop C, 33/F, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited.
- (d) This circular is prepared in both English and Chinese. In the event of any inconsistency, the English version shall prevail over the Chinese version of this circular, except for land valuation report and property valuation report, in which Chinese version shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. from the date of this circular up to and including the date of the EGM at the head office and principal place of business of the Company in Hong Kong:

- (a) the Investment Agreement;
- (b) the letter from the Board, the text of which is set out on pages 5 to 15 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;
- (d) the letter from the Independent Financial Advisor, the text of which is set out on pages 18 to 34 of this circular;
- (e) the land valuation report in relation to the valuation of the Zhaoqing Land prepared by Guangdong Hengda Real Estate and Land Appraisal Co., Ltd, the text of which are set out in the appendix I to this circular;

- (f) the property valuation report in relation to the valuation of the Zhaoqing Factory prepared by Guangdong Hengda Real Estate and Land Appraisal Co., Ltd, the text of which are set out in the appendix II to this circular;
- (g) the PRC legal opinion issued by our PRC legal advisor dated 24 June 2016 in respect of, *inter alia*, property interests of the Target Company;
- (h) the written consent of the expert referred to in the paragraph headed “10. Qualification and Consent of Expert” in this appendix; and
- (i) this circular.

NOTICE OF EGM



Leoch International Technology Limited 理士國際技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Leoch International Technology Limited (the “**Company**”) will be held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, People’s Republic of China on Friday, 12 August 2016 at 10:00 a.m for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“That:

- (a) the investment agreement dated 6 June 2016 (the “**Investment Agreement**”) entered into among Zhaoqing Leoch Battery Technology Co., Ltd. (“**Zhaoqing Leoch**”) (an indirect wholly-owned subsidiary of the Company), Guangdong Marshall Electric Vehicle Co., Ltd. and Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. (“**Target Company**”) in relation to the injection of approximately RMB121,065,300 by Zhaoqing Leoch into the Target Company for acquiring 75.34% of the enlarged registered capital of the Target Company (a copy of the Investment Agreement having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one or more Directors be and are hereby authorised to do all such acts and things as he considers necessary or expedient for the purposes of giving effect to the Investment Agreement and the transactions contemplated thereunder.”

By order of the Board
Leoch International Technology Limited
Mr. Dong Li
Chairman

Hong Kong, 18 July 2016

Registered Office:

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Workshop C, 33/F,
TML Tower
No. 3 Hoi Shing Road
Tsuen Wan
New Territories, Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 11 August 2016 to Friday, 12 August 2016, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 August 2016.

3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. All resolutions at the EGM will be conducted by way of a poll.

As at the date of this notice, the executive Directors are Mr. DONG Li, Ms. ZHAO Huan and Mr. Philip Armstrong NOZNESKY and the independent non-executive Directors are Mr. CAO Yixiong Alan, Mr. LIU Yangsheng, Mr. LAU Chi Kit and Dr. GONG Fangxiong.