

## APPENDIX III

## PROPERTY VALUATION

*The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the document, in connection with their valuation as at [30 September 2010] of all the property interests of the Group.*

**CBRE**  
CB RICHARD ELLIS  
世邦魏理仕

4/F, Three Exchange Square  
8 Connaught Place  
Central, Hong Kong  
T 852 2820 2800  
F 852 2810 0830

香港中環康樂廣場八號交易廣場第三期四樓  
電話 852 2820 2800 傳真 852 2810 0830

[www.cbre.com.hk](http://www.cbre.com.hk)

地產代理 (公司) 牌照號碼

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[●] 2010

The Board of Directors,  
Hengxin Technology Ltd.,  
16 Raffles Quay,  
#33-02B Hong Leong Building,  
Singapore 048581

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Hengxin Technology Ltd. (the "Company") and its subsidiaries (hereinafter together known as the "Group") in the People's Republic of China (the "PRC") and India. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at [30 September 2010] (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of [●].

## APPENDIX III

## PROPERTY VALUATION

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or the burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

In valuing the property interests in Group I, which is held by the Group for occupation in the PRC, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures standing on the land. In the valuation of the land portion, reference has been made to the standard land prices and the sales evidence as available to us in the locality.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Where due to the specific purpose for which the buildings and structures of the property interests have been constructed, or where the property interests are located in markets where there are no readily identifiable market comparables, the property interests have been valued on the basis of the depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

For the property interests in Group II which are rented by the Group in India, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

For the property interests in Group III which are rented by the Group in Singapore, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

## APPENDIX III

## PROPERTY VALUATION

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Shanghai Veritas Law Corporation (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the planning approvals, statutory notices, easements, tenancies and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**  
**Leo MY Lo**  
*Director*  
Valuation & Advisory Services

*Note:* Mr. Leo MY Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 7 years' valuation experience in the PRC Hong Kong and the Asia Pacific Region.

**APPENDIX III**

**PROPERTY VALUATION**

**SUMMARY OF VALUES**

<b>Property Interests</b>	<b>Capital Value in existing state as at [30 September 2010] (RMB)</b>	<b>Interests attributable to the Group</b>	<b>Capital Value attributable to the Group as at [30 September 2010] (RMB)</b>
<b>Group I – Property interests held by the Group for occupation in the PRC</b>			
1. An industrial complex, No.138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC	[87,000,000]	[100%]	[87,000,000]
		<b>Group I Sub-total:</b>	<u>[87,000,000]</u>
<b>Group II – Property interests rented by the Group in India</b>			
2. 53/603, Seawoods Estate, Phase-II, P-I Sec-54/56/58, Nerul, Navi Mumbai, India			No commercial value
3. Office no.1 on the 9th floor, 'B' wing of the building known as Aggarwal Trade Centre, lying on Plot no. 62, Sector-11, CBD Belapur, Navi Mumbai, India			No commercial value
4. Godowns No. C1/2, C1/3, C1/4, C1/5 in Sagar Complex situated in Owali Village, Mumbai Nasik Bypass, Bhiwandi, Dist. Thane, India			No commercial value
		<b>Group II Sub-total:</b>	<u>No commercial value</u>

**APPENDIX III**

**PROPERTY VALUATION**

<b>Property Interests</b>	<b>Capital Value in existing state as at [30 September 2010] (RMB)</b>	<b>Interests attributable to the Group</b>	<b>Capital Value attributable to the Group as at [30 September 2010] (RMB)</b>
 <b>Group III – Property interests rented by the Group in Singapore</b>			
5. 16 Raffles Quay, #33-02B Hong Leong Building, Singapore 048581			No commercial value <hr/>
		<b>Group III Sub-total:</b>	<b>No commercial value</b> <hr/>
		<b>Grand total:</b>	<b>[87,000,000]</b> <hr/> <hr/>

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATE**

**Group I – Property interests held by the Group for occupation in the PRC**

<b>Property</b>	<b>Description and tenure</b>	<b>Details of occupancy</b>	<b>Capital value in existing state as at [30 September 2010] (RMB)</b>
1. An industrial complex, No.138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, The PRC	<p>The property comprises various workshops, offices, facilities with a total gross floor area of approximately [64,227.53] sq.m. occupying on a site with an area of approximately [123,573.80] sq.m. (the "Site").</p> <p>The property was completed from 1990's to 2010.</p> <p>The land use rights of the property are held under [3] State-owned Land Use Rights Certificates with various land use terms expiring on 18 July 2045, 28 November 2051 and 12 May 2058 for industrial use.</p>	The property is currently occupied by the Group for industrial production, office and ancillary purposes.	[87,000,000] ([100%] interests attributable to the Group: RMB[87,000,000]) (please refer to note c for details)

*Notes:*

- a) Pursuant to the following State-owned Land Use Rights Certificates issued by Yixing Municipal State-owned Land and Resource Bureau, the land use rights of the Site with a total site area of approximately [103,627.00] sq.m. have been granted to Jiangsu Hengxin Technology Co., Ltd. for industrial use.

**State-owned Land**

<b>Use Rights Certificate Number</b>	<b>Issue Date</b>	<b>Site Area (sq.m.)</b>	<b>Use/Expiry Date</b>
Yi Guo Yong (2005) Zi No. 000001	04 January 2005	[11,602.10]	Industrial: 28 November 2051
Yi Guo Yong (2005) Zi No. 000002	04 January 2005	[81,528.60]	Industrial: 18 July 2045
Yi Guo Yong (2009) Zi No. 36600516	19 May 2009	[10,496.30]	Industrial: 12 May 2058
	Total:	<u>[103,627.00]</u>	

## APPENDIX III

## PROPERTY VALUATION

- b) Pursuant to the following Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately [54,462.93] sq.m. has been held by Jiangsu Hengxin Technology Co., Ltd. for industrial use.

Building Ownership Certificates Number	Issue Date	Gross Floor Area (sq.m.)
Yi Fang Quan Zheng Din Shu Zi No. B0010387	18 January 2005	[89.11]
Yi Fang Quan Zheng Din Shu Zi No. B0010388	18 January 2005	[1,639.04]
Yi Fang Quan Zheng Din Shu Zi No. B0010390	18 January 2005	[377.29]
Yi Fang Quan Zheng Din Shu Zi No. B0010391	18 January 2005	[375.77]
Yi Fang Quan Zheng Din Shu Zi No. B0010392	18 January 2005	[1,869.60]
Yi Fang Quan Zheng Din Shu Zi No. B0010393	18 January 2005	[545.69]
Yi Fang Quan Zheng Din Shu Zi No. B0010395	18 January 2005	[1,888.02]
Yi Fang Quan Zheng Din Shu Zi No. B0010396	18 January 2005	[945.29]
Yi Fang Quan Zheng Din Shu Zi No. B0010397	18 January 2005	[4,239.41]
Yi Fang Quan Zheng Din Shu Zi No. B0010398	18 January 2005	[17.89]
Yi Fang Quan Zheng Din Shu Zi No. B0010389	18 January 2005	[170.12]
Yi Fang Quan Zheng Din Shu Zi No. B0010400	18 January 2005	[8,118.97]
Yi Fang Quan Zheng Din Shu Zi No. B0010401	18 January 2005	[210.60]
Yi Fang Quan Zheng Din Shu Zi No. B0010402	18 January 2005	[154.16]
Yi Fang Quan Zheng Din Shu Zi No. B0010403	18 January 2005	[4,322.56]
Yi Fang Quan Zheng Din Shu Zi No. B0016122	13 March 2008	[4,094.40]
Yi Fang Quan Zheng Din Shu Zi No. 1000029328	19 May 2010	[8,719.48]
Yi Fang Quan Zheng Din Shu Zi No. 1000029996	26 May 2010	[4,170.23]
Yi Fang Quan Zheng Din Shu Zi No. 1000037907	17 September 2010	12,515.3
	Total:	<u>[54,462.93]</u>

- c) As advised by the Group, portion of the property, with a gross floor area of approximately [12,515.3] sq.m. and occupying a site with an area of approximately [19,946.8] sq.m., have not obtained the State-owned Land Use Rights Certificate. In the course of our valuation, we have ascribed no commercial value to the portion. Had the Group obtained the State-owned Land Use Rights Certificate, the capital value of the portion of the property in existing state as at [30 September 2010] would be RMB[28,000,000] ([100%] interests attributable to the Group: RMB[28,000,000]).
- d) As advised by the Group, portion of the property, with a gross floor area of approximately [2,282] sq.m. has not obtained the Building Ownership Certificate(s) for they are regarded as temporary constructions. We have ascribed no commercial value to the portion.
- e) As advised by the Group, 2 blocks of industrial buildings with a total gross floor area of approximately [236.77] sq.m. have been demolished. We have ascribed no commercial value to the buildings.
- f) Portion of the property, with a gross floor area of approximately 7,482.6 sq.m. which is currently under construction, has not yet obtained the State-owned Land Use Rights Certificate. In the course of our valuation, we have ascribed no commercial value to that portion of property.
- g) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- i) The Group has obtained the State-owned Land Use Rights Certificates of the property, the Group is entitled to legally own the land use rights to the site (except for the portion which has not obtained the relevant State-owned Land Use Rights Certificates). The Group is entitled to occupy, use, lease, transfer or otherwise dispose of the Site.
- ii) The site has not been mortgaged, seized nor subject to any other dispute.

## APPENDIX III

## PROPERTY VALUATION

- iii) Pursuant to various Building Ownership Certificates, the Group is entitled to occupy, use, lease, transfer or other dispose of the buildings (except for the portion which has not obtained the relevant Building Ownership Certificates).
- iv) Regarding the land without State-owned Land Use Rights Certificate, on the condition that the relevant litigation is end and the land would be auctioned by the court, the Group would obtain the State-owned Land Use Rights Certificate.
- v) Regarding the portion of the property as mentioned in note c above, under the condition that the land use rights can not be retrieved by Yixing Municipal through release of sequestration, whilst other third party obtain the land use rights. Since the Group occupies the land parcel and constructed workshop, the Group may be deemed as violating the land use rights owned by other parties. Once the violation is confirmed, the Group may be ordered to demolish the building. However, the Group has the rights to require the compensation from the government for the loss.
- vi) Regarding to the building which is under construction, the Group has obtained the Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Had the Group obtained the relevant State-owned Land Use Rights Certificate and the relevant Completion Construction Works Certified Report, the Group can apply for the Building Ownership Certificate of the property from the relevant government department.
- vii) As advised by the legal advisor, one of the Building Ownership Certificates with a gross floor area of approximately 12,515.3 sq.m. were reclaimed by the government on 25 November 2010. The abovementioned Building Ownership Certificate faces a risk of being cancelled before the release of legal dispute regarding the relevant land use rights.



## APPENDIX III

## PROPERTY VALUATION

### VALUATION CERTIFICATE

#### Group II – Property interests rented by the Group in India

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
2. 53/603, Seawoods Estate, Phase-II, P-I Sec-54/56/58, Nerul, Navi Mumbai, India	The property is used for residential purposes. The total gross floor area of the property is approximately 1,450 sq.ft.	The property is leased by Mrs. Reeta W/o Mr. Upendra Prasad Roy under a tenancy agreement with a term 11 months with effect from 1 February 2010 to 31 December 2010 in a monthly rental of [Rs.20,000]. A sum of Rs.100,000 shall be paid as interest free security deposit.	No commercial value

*Notes:*

- a) Pursuant to the following tenancy agreements entered between Mrs. Reeta Roy W/o Mr. Upendra Prasad Roy ("Party A") and M/s Hengxin Technology (India) Pvt Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
  - i) The rent is exclusive of management fee and other outgoings.
- b) The registered owner of the property is [Mrs. Reeta Roy W/o Mr. Upendra Prasad Roy].

## APPENDIX III

## PROPERTY VALUATION

### VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
3. Office no. 1 on the 9th Floor, 'B' wing of the building known as Aggarwal Trade Centre, lying on Plot no. 62, Sector-11, CBD Belapur, Navi Mumbai, India	The property is used for commercial purpose. The total gross floor area of the property is approximately 692 sq.ft.	The property is leased by Shri. Surendra Singh Batra under a tenancy agreement with a term of 36 months with lock-in period of the first 12 months, the lock-in period of the first twelve months i.e. for the period 10 August 2009 to 9 August 2011. Effective from 10 August 2009 to 9 August 2012 in a monthly rental of [Rs.27,000] for the first 12 months, [Rs.29,000] for the second 12 months and [Rs.31,000] for the last 12 months.	No commercial value

*Notes:*

- a) Pursuant to the following tenancy agreements entered between Shri. Surendra Singh Batra ("Party A") and M/s Hengxin Technology (India) Pvt. Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
  - i) The rent is exclusive of Service Tax which will be borne by the Licensee if applicable.
- b) The registered owner of the property is [Shri. Surendra Singh Batra].

## APPENDIX III

## PROPERTY VALUATION

### VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
4. Godowns No. C1/2, C1/3, C1/4, C1/5 in Sagar Complex situated in Owali Village, Mumbai Nasik Bypass, Bhiwandi, Dist. Thane, India	The property is used for storage purposes. The total gross floor area of the property is approximately 12,000 sq.ft. With its total built up area of 10,000 sq.ft.	The property is leased by Shri Shankar S. Pawar under a tenancy agreement with a term of 35 months with effect from 24 August 2009 to 23 July 2012 with lock in period of 12 months from 24 August 2009 to 23 July 2010. With a monthly rental of [Rs.91,000] for the first 12 months, [97,000] for the second 12 months period and [104,000] for the third 12 months period. A sum of Rs.100,000 shall be paid as interest free security deposit.	No commercial value

*Notes:*

- a) Pursuant to the following tenancy agreements entered between Shri Shankar S. Pawar ("Party A") and M/S Hengxin Technology (India) Pvt Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
  - i) The rent is exclusive of electricity bills, telephone bills etc. for the personal & commercial use from electric meter lying in the said Godowns.
- b) The registered owner of the property is [Shri Shankar S. Pawar].

## APPENDIX III

## PROPERTY VALUATION

### VALUATION CERTIFICATE

#### Group III – Property interests rented by the Group in Singapore

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
5. 16 Raffles Quay, #33-02B Hong Leong Building, Singapore 048581	The property is used for commercial purposes. The total gross floor area of the property is approximately 452 sq.ft.	The property is leased by Hong Leong Holdings Limited under a tenancy agreement with a term of 36 months with effect from 7 June 2010 to 6 June 2013 in a monthly rental of [Sgd. 3,390].	No commercial value

*Notes:*

- a) Pursuant to the following tenancy agreements entered between Hong Leong Holdings Limited ("Party A") and Hengxin Technology Ltd. ("Party B"), Party A agreed to lease the property to the Group.
- b) The registered owner of the property is [Hong Leong Holdings Limited].