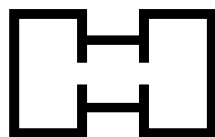


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## **HERALD HOLDINGS LIMITED**

**興利集團有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock Code: 00114)

### **DISCLOSEABLE TRANSACTION RELOCATION COMPENSATION**

#### **THE RELOCATION COMPENSATION AGREEMENTS**

The Board hereby announces that on 28 April 2025, Herald Investments, an indirect wholly-owned subsidiary of the Company, has entered into the Relocation Compensation Agreements with Baihe Land Office, pursuant to which Herald Investments has agreed to surrender in aggregate two (2) pieces of Lands to Baihe Land Office in return for the payment by Baihe Land Office of the Relocation Compensation. The total Relocation Compensation to be received by Herald Investments in respect of the Lands shall be approximately RMB20.89 million (approximately HK\$22.14 million).

#### **LISTING RULES IMPLICATIONS**

On the basis that the Relocation Compensation Agreements both relate to the provision of Relocation Compensation by Baihe Land Office to Herald Investments in relation to the Lands which are adjacent to each other and were entered into on the same date, the Relocation Compensation Agreements have been aggregated pursuant to the Listing Rules. As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the arrangement contemplated under the Relocation Compensation Agreements exceed 5% but all applicable percentage ratios are less than 25%, the Relocation Compensation Agreements and the transactions completed thereunder constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board hereby announces that on 28 April 2025, Herald Investments, an indirect wholly-owned subsidiary of the Company, has entered into the Relocation Compensation Agreements with Baihe Land Office, pursuant to which Herald Investments has agreed to surrender in aggregate two (2) pieces of Lands to Baihe Land Office in return for the payment by Baihe Land Office of the Relocation Compensation. The total Relocation Compensation to be received by Herald Investments in respect of the Lands shall be approximately RMB20.89 million (approximately HK\$22.14 million).

## RELOCATION COMPENSATION AGREEMENTS

Below is a summary of the principal terms of the 1<sup>st</sup> Relocation Compensation Agreement:

Date: 28 April 2025

Parties: (1) Herald Investments; and  
(2) Baihe Land Office.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Baihe Land Office and its ultimate beneficial owner(s) are third party independent of the Company and its connected persons (as defined under the Listing Rules).

Land to be handed over: Herald Investments shall surrender Land 1 to Baihe Land Office within 30 days of the 1<sup>st</sup> Relocation Compensation Agreement (i.e. by 28 May 2025).

Amount of relocation compensation for Land 1: Approximately RMB17.86 million (approximately HK\$18.93 million), which comprised of (i) relocation compensation amount for the building assets on Land 1 of approximately RMB13.02 million (approximately HK\$13.80 million), which reflects the value of such building assets as determined by the valuation report issued by Shanghai Shenyang, an independent property valuer, on the value of existing building assets on Land 1 as at the valuation benchmark date of 20 March 2024, (ii) compensation for relocation of greenery components of approximately RMB0.07 million (approximately HK\$0.07 million); (iii) compensation for forfeiture of remaining term of land use rights of approximately RMB2.52 million (approximately HK\$2.67 million); and (iv) special relocation bonus of approximately RMB2.25 million (approximately HK\$2.39 million).

Shanghai Shenyang, the independent property valuer, has adopted cost approach for the valuation of the building assets on Land 1. For further details concerning the valuation report issued by Shanghai Shenyang, including in respect of the valuation methodology, assumptions and key inputs, please refer to the appendix to this announcement.

Payment Terms: The relocation compensation for Land 1 is to be paid in two instalments, namely:

- (i) the first instalment of RMB12.50 million (approximately HK\$13.25 million), representing approximately 70% of the relocation compensation payable for Land 1, is to be paid within 30 business days after certain steps for the surrender of Land 1 having been completed, including Baihe Land Office

obtaining the financial supervision report, Herald Investments delivering vacant possession of Land 1, as well as execution of the Surrender Order Form for Vacation of Premises, Application Form for Assistance in Demolition and submission of the proof of cancellation of utilities; and

- (ii) the second instalment of approximately RMB5.36 million (approximately HK\$5.68 million), representing approximately 30% of the relocation compensation payable for Land 1, is to be paid within 30 business days after the issuance of the certificate for extinguishment of real estate title certificate.

Below is a summary of the principal terms of the 2<sup>nd</sup> Relocation Compensation Agreement:

Date: 28 April 2025

Parties: (1) Herald Investments; and  
(2) Baihe Land Office

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Baihe Land Office and its ultimate beneficial owner(s) are third party independent of the Company and its connected persons (as defined under the Listing Rules).

Land to be handed over: Herald Investments shall surrender Land 2 to Baihe Land Office within 30 days of the 2<sup>nd</sup> Relocation Compensation Agreement (i.e. by 28 May 2025).

Amount of relocation compensation for Land 2: Approximately RMB3.03 million (approximately HK\$3.21 million), which comprised of the relocation compensation amount for the building assets on Land 2 of approximately RMB3.03 million (approximately HK\$3.21 million), which reflects the value of such building assets as determined by the valuation report issued by Shanghai Shenyang, an independent property valuer, on the value of existing building assets on Land 2 as at the valuation benchmark date of 20 March 2024. As the term of the land use rights for Land 2 has expired, no compensation for forfeiture of remaining term of land use rights or special relocation bonus will be provided.

Shanghai Shenyang, the independent property valuer, has adopted cost approach for the valuation of the building assets on Land 2. For further details concerning the valuation report issued by Shanghai Shenyang, including in respect of the valuation methodology, assumptions and key inputs, please refer to the appendix to this announcement.

Payment Terms: The relocation compensation for Land 2 is to be paid in two instalments, namely:

- (i) the first instalment of RMB2.12 million (approximately HK\$2.25 million), representing approximately 70% of the relocation compensation payable for Land 2, is to be paid within 30 business days after certain steps for the surrender of Land 2 having been completed, including Baihe Land Office obtaining the financial supervision report, Herald Investments delivering vacant possession of Land 2, as well as execution of the Surrender Order Form for Vacation of Premises, Application Form for Assistance in Demolition and submission of the proof of cancellation of utilities; and
- (ii) the second instalment of approximately RMB0.91 million (approximately HK\$0.96 million), representing approximately 30% of the relocation compensation payable for Land 2, is to be paid within 30 business days after the issuance of the certificate for extinguishment of real estate title certificate.

The terms of the Relocation Compensation Agreements were arrived at after arms' length negotiation between Herald Investments and Baihe Land Office, with reference to, among others, (i) valuation of the building assets on the Lands by Shanghai Shenyang and (ii) municipal government prescribed compensation amount on forfeiture of land use rights and special relocation bonus which takes into account the remaining term of land use rights.

#### **BACKGROUND AND REASONS FOR THE ENTERING INTO THE RELOCATION COMPENSATION AGREEMENTS**

Land 1, with a land area of approximately 6.9585 Mu, and Land 2, with a land area of approximately 6.96 Mu, are both located in Baihe Town, Qingpu District, Shanghai and are adjacent to each other. Whilst the Lands have previously been used by the Group for its production activities, the production activities on the Lands ceased some years ago and the Group is now using the Lands for storage and ancillary purposes only. As part of the urban planning requirements of People's Government of Baihe Town, and particularly taking into account the land use policy of Baihe Town to reduce regional industrial and mining land uses as set out in the 2021 Baihe Town "198" Implementing Opinions on Reducing the Amount of Land for Construction of Regional Industrial and Mining Enterprises, Baihe Land Office has invited Herald Investments to surrender the Lands and enter into the Relocation Compensation Agreements accordingly.

Having considered that the Lands are currently not used by the Group for production purposes and therefore the surrender of the Lands will not lead to disruption to the business of the Group nor will lead to any adverse effect to the financial performance of the Group and that the Company has no immediate plans to re-develop the Lands, the Board is of the view that the transactions contemplated under the Relocation Compensation Agreements represent a good opportunity for the Group to realise its previous investments in the Lands. Taking into account the above factors as well as the fact that the Relocation Compensation has taken into account the value of the building assets on the Lands as well as the remaining terms of the land use of the Lands (as applicable), the Directors are of the view that the terms of the Relocation Compensation Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL IMPACT OF THE TRANSACTIONS CONTEMPLATED UNDER THE RELOCATION COMPENSATION AGREEMENTS AND THE USE OF PROCEEDS**

As the values of the Lands have been fully impaired in prior years, it is expected that the surrender of the Lands as contemplated under the Relocation Compensation Agreements will not lead to derecognition of any asset values by the Group. Nonetheless, immediately after the execution of the Relocation Compensation Agreements and the surrender of the Lands, it is expected that (i) the sum of the Relocation Compensation to be received in the estimated amount of approximately RMB20.89 million (approximately HK\$22.14 million) will be recognised as other receivables; and (ii) the sum of PRC taxes payable and professional fees in the estimated amount of approximately RMB7.22 million (approximately HK\$7.65 million) will be recognised. As a result, an unaudited gain on disposal in the approximate amount of RMB13.67 million (equivalent to approximately HK\$14.49 million) is expected to be recognised. The actual gain to be recorded by the Group is subject to, among others, the final PRC taxes to be charged in relation to the gain and final audit to be performed by the Company's auditor.

The Group intends to use the Relocation Compensation as general working capital of the Group.

## **INFORMATION ON PARTIES TO THE RELOCATION COMPENSATION AGREEMENTS AND THE COMPANY**

### **Information on Baihe Land Office**

Baihe Land Office is a department established by the Baihe Town People's Government of Qingpu District of Shanghai Municipality, the PRC, and a "PRC Governmental Body" within the meanings of the Listing Rules, responsible for urban and rural planning, infrastructure development and ecological and environmental protection work in Baihe Town, including but not limited to the arrangement of expropriation compensation and settlement related work in Baihe Town.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Baihe Land Office and its ultimate beneficial owner(s) are third party independent of the Company and its connected persons (as defined under the Listing Rules).

### **Information on the Company and Herald Investments**

Herald Investments is a wholly owned subsidiary of the Company whose principal activity is investment holding. The Company, together with its subsidiaries, are principally engaged in the manufacture, sale and distribution of toys, computer products, clocks, watches and electronic and gift products.

## **IMPLICATION UNDER THE LISTING RULES**

On the basis that the Relocation Compensation Agreements both relate to the provision of Relocation Compensation by Baihe Land Office to Herald Investments in relation to the Lands which are adjacent to each other and were entered into on the same date, the Relocation Compensation Agreements have been aggregated pursuant to the Listing Rules. As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the arrangement contemplated under the Relocation Compensation Agreements exceed 5% but all applicable percentage ratios are less than 25%, the Relocation Compensation Agreements and the transactions completed thereunder constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Baihe Land Office”	Baihe Town Planning, Construction and Ecological Environment Protection Office <sup>#</sup> (白鶴鎮規劃建設和生態環境辦公室)
“Board”	the Board of Directors
“Company”	Herald Holdings Limited (興利集團有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Herald Investments”	Herald Investments (China) Company Limited <sup>#</sup> (興利投資(中國)有限公司), a limited liability company established in PRC, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land 1”	the parcel of land of approximately 6.9585 Mu in size located at No. 852-1, Xingli Road, Baihe Town, Qingpu District, Shanghai, the PRC <sup>#</sup> (青浦區白鶴鎮興利路 852-1 號), together with the buildings thereon
“Land 2”	the parcel of land of approximately 6.96 Mu in size located at No. 852-2, Xingli Road, Baihe Town, Qingpu District, Shanghai, the PRC <sup>#</sup> (青浦區白鶴鎮興利路 852-2 號), together with the buildings thereon
“Lands”	collectively, Land 1 and Land 2
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Relocation Compensation”	the aggregate amount of approximately RMB20.89 million (approximately HK\$22.14 million) payable to Herald Investments as relocation compensation under the Relocation Compensation Agreements, comprising (i) the amount of approximately RMB17.86 million payable under the 1 <sup>st</sup> Relocation Compensation Agreement and (ii) the amount of approximately RMB3.03 million payable under the 2 <sup>nd</sup> Relocation Compensation Agreement

“Relocation Compensation Agreements”	collectively, the 1 <sup>st</sup> Relocation Compensation Agreement and the 2 <sup>nd</sup> Relocation Compensation Agreement
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shanghai Shenyang” or “Valuer”	Shanghai Shenyang Real Estate and Land Valuation Limited <sup>#</sup> (上海申楊房地產土地估價有限公司), a registration level 1 real estate appraisal company in the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“1 <sup>st</sup> Relocation Compensation Agreement”	Relocation Compensation Agreement for Reduction and Quantification of Construction Land in “198” Baihe Town, Qingpu District – Green Licence <sup>#</sup> (青浦區白鶴鎮 “198” 建設用地減量化補償協議書 - 綠證) dated 28 April 2025 entered into between Herald Investments and Baihe Land Office
“2 <sup>nd</sup> Relocation Compensation Agreement”	Relocation Compensation Agreement for Reduction and Quantification of Construction Land in “198” Baihe Town, Qingpu District – Red Licence <sup>#</sup> (青浦區白鶴鎮 “198” 建設用地減量化補償協議書 - 紅證) dated 28 April 2025 entered into between Herald Investments and Baihe Land Office
“%”	per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate RMB1 to HK\$1.06 respectively. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

*\* For identification purpose only.*

*# For illustrative purposes only.*

By Order of the Board  
**Herald Holdings Limited**  
**Robert Dorfman**  
*Chairman*

Hong Kong, 28 April 2025

*As at the date of this announcement, the board of directors of the Company consists of Mr. Robert Dorfman, Mr. Lai Man-Pun and Dr. Cheung Tsang-Kay, Stan as executive directors; and Mr. Lie-A-Cheong Tai-Chong, David, Dr. Ng Tze-Kin, David and Ms. Wong Sau-Ling as independent non-executive directors.*

## Appendix – Further Details on the Valuation Reports

### A. Valuation Assumptions

The assumptions adopted by Shanghai Shenyang in connection with the valuation reports on the building assets on Land 1 and Land 2 are as follows:

- (i) The valuation principal has provided the relevant information of the valuation objects (including a copy of the Certificate of Shanghai Real Estate Property Rights titled “Certificate of Shanghai Real Estate Property (1997) 000168” for Land 1 and the Information Sheet, the Certificate of Use of Collective Land for Construction, etc. for Land 2). In particular, construction area of the buildings under valuation is determined on the basis of the construction area contained in, among others, the Certificate of Shanghai Real Estate Property Rights provided by the valuation principal for Land 1 and the Information Sheet, the Certificate of Use of Collective Land for Construction, the Real Estate Valuation Entrustment Agreement, etc. provided by the valuation principal, which is combined with the area contained in the Report on the Results of the Survey and Mapping of the Housing Area of Herald Investments (China) Limited, for Land 2. The Valuer's registered real estate appraisers examine the information prudently and assume that the information provided by the valuation principal is lawful, true, accurate and complete without any reason to doubt its legality, truthfulness, accuracy and completeness and without verifying the same.
- (ii) In the valuation, the areas, uses, quantities and specifications of structures and other ancillary facilities, decorations and fixtures, (for Land 1) reusable machinery and equipment, etc. under valuation are measured and inspected on-site by the registered real estate appraiser and confirmed by the valuation principal as the basis of valuation. The Valuer's registered real estate appraiser has only conducted a general survey of the valuation object and has paid attention to certain significant factors affecting the value of the valuation object, such as safety and internal quality of the buildings, and has assumed that the valuation object is capable of normal and safe use in the absence of any reason to suspect that the valuation object has latent safety defects and corresponding lack of examination and testing from professional organization.
- (iii) The valuation results provided in the valuation report are the compensation values of the licensed buildings (replacement price adjusted with the newness rate for Land 1), the buildings with licenses (replacement price of construction and installation adjusted with the newness rate for Land 2), the decoration replacement price adjusted with the newness rate, the replacement price of structures and other ancillary facilities adjusted with the newness rate of the valuation object, and the relocation and installation costs of reusable machinery and equipment at the point of time of valuation under the condition that the assumptions and restrictions of the valuation are met. The influence of factors such as lease, mortgage and seizure of the property are not considered. The current valuation is determined as at 20 March 2024, being the date of completion of the field survey of the valuation object.
- (iv) For Land 1, regarding the identification of licensed buildings, according to the 2021 Baihe Town “198” Implementing Opinions on Reducing the Amount of Land for Construction of Regional Industrial and Mining Enterprises, buildings under the following circumstances are recognized as legal buildings (i.e., licensed buildings): 1. area registered under the issued certificate; 2. area under the construction planning permit (including the planning and as-built measurement report); 3. area under the property right transaction contract; 4. area of unlicensed collective asset transfer (collective asset transfer agreement and transfer assessment report shall be provided; if there is no transfer agreement and transfer assessment report, or no specific transfer area quantity in the agreement, the area shall be determined on a case-by-case basis); 5. area of agricultural facilities within the construction land area; 6. land area and construction area acquired through court or bank auction are recognized based on the above approaches.

## **B. Valuation Approach**

- (i) According to Real Estate Valuation Standards (GB/T50291-2015) and Basic Terminology Standards for Real Estate Valuation (GB/T50899-2013), the approaches usually used for real estate valuation mainly include the comparison approach, income approach, cost approach, and hypothetical development approach.
- (ii) The comparison approach is guided by the alternatives and precedent cases as well as market transaction price, and is applicable to valuation of real estates where there have been many similar real estate transactions recently within the same circle of supply and demand; the income approach is guided by the principle of anticipation by identifying the estimated future income, and is applicable to the valuation of real estates with earnings or potential earnings, and where the future earnings and risks can be more accurately estimated; cost approach is based on the value of the cost of production, and is guided by the cost of redevelopment of the building, with such approach applicable to valuation of real estates that are independently developed and constructed as a whole, as well as real estates which are seldom traded, real estates which have no income or no potential income, and real estates which have no market basis or the market basis is insufficient and therefore inappropriate to use the comparative approach, income approach or, hypothetical development approach to carry out the valuation; the hypothetical development approach is guided by the principle of anticipation and the expected future income and is applicable to valuation of real estates which the valuer is able to determine the best way of developing and utilizing the valuation object and estimate the completed development value of the valuation object.
- (iii) The valuation objects are buildings, decorations and fixtures, structures and other ancillary facilities, and (for Land 1) reusable machinery and equipment. The purpose of the valuation is to provide a reference for the valuation principal to evaluate the corresponding assets of the valuation objects for the purpose of negotiating with the compensated parties on the amount of monetary compensation for the implementation of the Reduction of Amount of Land for Construction of Regional Industrial and Mining Enterprises project for Baihe Town Area “198”.
- (iv) Assets such as buildings, decorations and fixtures, structures and other ancillary facilities, reusable machinery and equipment, and materials have characteristics that are unique on a case-by-case basis and cannot be appraised by the market approach; since the asset owner operates its own assets, it is also not possible to use the income approach for valuation; at the same time, the valuation object is assets that has already been used for normal operation, hence the hypothetical development approach is not available.
- (v) As a result, the valuation is conducted by adopting the cost approach, and the value of the relevant assets is estimated with reference to the methods permitted under the “Shanghai Technical Specification for Compensation Assessment of Houses on Expropriated State-owned Land” for Land 1 and the “Shanghai Technical Specification for Compensation Assessment of Houses on Expropriated Collective Land” for Land 2.

## C. Valuation Methodology

The valuation object mainly involves buildings, decoration and fixtures, structures and other ancillary facilities, and (for Land 1) reusable machinery and equipment. Considering the purpose of the valuation and the actual condition of the valuation object, the cost approach was adopted for the valuation of buildings. The specific valuation techniques are as follows:

### 1. Buildings

#### Licensed Buildings for Land 1

The compensation price of the licensed buildings is the replacement price adjusted with the newness rate. The replacement price, also known as the replacement cost, refers to the necessary expenditure and profit due to the reconstruction of a brand-new building of the same utility as the building subject to valuation, using the building materials, building components, building equipment and building techniques and technology at the point of value, under the national financial and tax system and the market price system at the point of value. The replacement cost of a building shall include the direct costs of labor, materials, machinery, indirect costs such as management fees, profits and taxes, professional fees such as design, supervision and quality inspection, other fees such as interest, profits, sales costs and sales taxes.

For the valuation, the construction cost extrapolation approach is adopted to identify the replacement costs of construction and installation by utilizing as reference for extrapolation, after taking into account actual conditions, construction costs of buildings that are same or similar in terms of structure, efficacy, etc., as well as including adjustments to take into account deviation in characteristics. Adjusted with the newness rate, the value of the building is determined.

In the valuation, according to the classification of the type, use, structure and number of floors of the buildings, the replacement list prices of similar buildings in the “Inventory of Replacement List Prices of Buildings in the Demolition and Relocation of Buildings in Shanghai (2024.01)” or the replacement prices and cost indicators of the buildings issued by the government, the real estate industry and the construction industry were analyzed and compared with the valuation object buildings to make adjustments to the factors affecting the prices of the buildings. On such basis, direct costs such as labor, materials, machinery, indirect costs such as management fees, profits and taxes of construction companies, as well as professional fees such as design, supervision, quality inspection, other fees such as interest, profits, sales costs, sales taxes, etc. are then calculated. The formulas are as follows:

Compensation price of building = Replacement price of building (BR) × Newness rate (NR)

Whereas:

Replacement price of the building (BR) = Replacement price of construction and installation (CIR) + professional fees + management fees + sales expenses + investment interests + sales taxes + development profit

Replacement price of construction and installation (CIR) = Standard price × (1 + sum of housing condition adjustment factor) × (1 + market condition adjustment factor)

Newness rate (NR) = newness rate under useful life approach × weighting for useful life approach (50%) + newness rate under surveying approach × weighting for surveying approach (50%)

Newness rate for useful life approach =  $1 - t/N$ , where t - years in use; N - economic durability in years

Newness rate for surveying approach = newness rate for structures × weighting for structures + newness rate for renovations × weighting for renovations + newness rate for equipment × weighting for equipment

## Buildings with licenses for Land 2

The replacement price of construction and installation is the normal price of reconstructing a building in new condition but with the same functional utility as the building that was demolished, using existing building materials and construction techniques, at the price level at the point in time for the valuation.

For the valuation, the construction cost extrapolation approach is adopted to identify the replacement costs of construction and installation by utilizing as reference for extrapolation, after taking into account actual situation, construction costs of buildings that are same or similar in terms of structure, efficacy, etc., as well as including adjustments to take into account deviation in characteristics. Adjusted with the newness rate, the value of the building is determined.

### **2. Decoration and fixtures**

The appraiser conducted field surveys and measurements of the valuation object, collected relevant data and consulted the relevant personnel on its use, and after categorizing and organizing the various items, adopted the List Consolidated Unit Price Approach for appraisal.

Basic formula: Appraised value of renovation = replacement price of renovation × newness rate

The List Consolidated Unit Price Approach is an approach of determining the replacement price of renovation by calculating the cost of the renovation project based on the list consolidated unit price for each of the items of the renovation project at the point in time when the value is calculated, plus the other costs of construction of the project that are required to determine the replacement price of the renovation.

The newness rate can be assessed according to the overall condition of the renovation, or according to the individual items. In general, the rate is determined after taking into account the durability of the renovation, the number of years in use, as well as repair and maintenance conditions.

### **3. Structures and ancillary facilities**

The replacement price of structures and other ancillary facilities is adjusted with the newness rate. The appraiser, together with the relevant personnel, carried out on-site investigation and measurement of the structures and other ancillary facilities of the valuation object, and submitted the items, specifications, and quantities of the structures and other ancillary facilities to the valuation principal and other relevant parties for confirmation, which served as the basis for the current calculation, and calculated the replacement price of the structures and other ancillary facilities by referring to the compensation standard in the “Notice of Shanghai Municipal Bureau of Planning and Natural Resources on the Issuance of Shanghai’s Compensation Standard for the Expropriation of Collective Land (2024)” [Shanghai Planning Resources Regulation [2023] No. 6], which is further adjusted to take into account direct costs such as labor, materials and mechanical shift costs, indirect costs such as management fees, profits and taxes, professional fees such as design, supervision and quality inspection, other fees such as interest, profits, sales costs and sales taxes. After combining the aforementioned with the newness rate, the compensation value of structures and other ancillary facilities was obtained.

#### **4. Reusable machinery and equipment (for Land 1 only)**

Machinery and equipment include reusable and non-reusable machinery and equipment.

Relocation and installation costs for reusable machinery and equipment generally consist of transportation and miscellaneous costs, dismantling costs and installation and recalibration costs. For the purpose of this valuation, the value of reusable machinery and equipment is the relocation cost plus the installation cost; The formula is: Relocation cost and installation cost of machinery and equipment = transportation and miscellaneous costs + dismantling costs + installation and recalibration costs.

The relocation and installation costs of reusable machinery and equipment should be determined on an item-by-item basis in accordance with the actual condition of each machinery and equipment, and are generally assessed in accordance with the market price at the point of valuation. The transportation and miscellaneous costs, dismantling costs and installation and recalibration costs of the machinery and equipment can be assessed directly according to their types and specifications and the corresponding transportation methods and dismantling and installation processes; or they can be obtained by adopting the appropriate rates of transportation and miscellaneous fees, dismantling costs, and installation and recalibration costs multiplied by the reacquisition price of the machinery and equipment. The reacquisition price of machinery and equipment refers to the market price of purchasing new machinery and equipment through the open market at the time of valuation or the replacement cost of replacing the machinery and equipment.

The cost of relocating material is calculated as the cost of transportation and miscellaneous costs. The transportation and miscellaneous costs are generally calculated by counting the number of truckloads, pieces of items, batches, weights or volumes and other units of measurement, accounting for the quantity relocated, and determining the price per unit of transportation and miscellaneous costs in accordance with market conditions, in order to calculate the cost of relocating the material. The formula is: Material relocation cost = quantity relocated × price per unit of transportation and miscellaneous costs.

#### **5. Determination of Valuation Results**

Total value of the valuation object for Land 1 = Value of licensed buildings + compensation value for decoration and fixtures + compensation value for structures and other ancillary facilities + compensation value for relocation of reusable machinery and equipment.

Total value of the valuation object for Land 2 = Value of the buildings with licenses + compensation value for decoration and fixtures + compensation value for structures and other ancillary facilities.