# Lygend Resources & Technology Co., Ltd.
# 宁波力勤资源科技股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2245)**

## SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTION IN RELATION TO THE TRANSFER AGREEMENT

## INTRODUCTION

Reference is made to the announcement (the "**Announcement**") of Lygend Resources & Technology Co., Ltd. (the "**Company**") dated 26 August 2024 in relation to, among others, the entering into of the Transfer Agreement. Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Announcement.

Further to the Announcement, the Board would like to provide additional information in relation to the entering into of the Transfer Agreement:

### (I) Methodology of Valuation

As disclosed in the Announcement, the total consideration for the land use right of the Target Land and related construction works is RMB57,163,028.93, which was determined after arm's length negotiations between the parties after taking into account, among others, the appraised value of the Target Land of RMB51,691,200.00 as of 29 February 2024 (the "**Valuation**") based on the valuation report issued by Canwin Appraisal Co., Ltd. (坤元資產評估有限公司), an independent valuer (the "**Valuer**"), on 29 March 2024 (the "**Valuation Report**") and the design fees totalling RMB751,945.81 (excluding value-added tax).

Pursuant to the Valuation Report, the Valuer considered the applicability of five valuation methods set out under the Practice Standards for Assets Appraisal – Real Estate (資產評估執業準則－不動產), namely cost approach, hypothetical development approach, market approach, benchmark land value adjustment approach and income approach. In selecting the appropriate method of valuation, the following factors were taken into account: the technical procedures for assessing the price of land coupled with the information collected by the Valuer, the local market conditions for land as well as the specific conditions of the appraised asset (i.e. the Target Land), the use of land and the purpose of land.

On the basis that the Target Land is for commercial use and there are many examples of transferring commercial land in the area in which the Target Land is located, the Valuer considered the market approach to be applicable. Further, the Valuer considered: (i) the cost approach to be inappropriate as it does not consider market demand and utility in determining the appraisal value and is used when the market for land is underdeveloped, lacks sample transactions, and other valuation methods cannot be applied; (ii) the hypothetical development approach to be inappropriate as the development plan for the Target Land is still to be determined; (iii) the benchmark land value adjustment approach to be inappropriate as it has been seven years since the benchmark land price in Ningbo, PRC was announced and the benchmark land price no longer reflects the current market price for land. The benchmark land price is mainly used for government macro land price management and land transfer price review, accordingly, the benchmark land price cannot accurately reflect the intrinsic value of land located in the core area of a city which may have potential adjustments to its uses; and (iv) the income approach to be inappropriate as it is difficult to locate similar transactions in the market involving leasing of commercial land. Accordingly, the Valuer adopted the market approach as the method of valuation.

Under the market approach and based on the principle of substitution, the appraised asset (i.e. the Target Land) was compared with similar transactions concerning land transfers that had been conducted recently, and the appraisal value of the appraised asset as of the evaluation date was determined with reference to the known prices of these comparable transactions, with adjustments made to reflect the differences in circumstances of the transactions, timing, location, individual characteristics, rights and other factors.

## (II) Selection of Market Comparables and List of Market Comparables

The Valuer has selected market comparables with reference to the location and permitted use of the Target Land. Applying such selection criteria, the Valuer identified the following three market comparables that are situated in a similar area or in the same supply and demand circle as that in which the Target Land is located. The details of the three market comparables are as follows:

| **Comparables** | **1** | **2** | **3** |
|---|---|---|---|
| Listed date | March 2024 | January 2024 | February 2023 |
| Address | core area of Eastern New Town, Yinzhou District, Ningbo City, PRC | Historical and Cultural District, Xiushui Street, Haishu District, Ningbo City, PRC | southwest of the intersection of Tongtu Road and Fuqing Road, Eastern New Town, Yinzhou District, Ningbo City, PRC |
| Permitted use(s) of land | retail, business and financial | retail | business and financial |
| Listed site area *(square meters)* | 10,490.00 | 36,604.00 | 7,055.00 |
| Listed price per square meter *(RMB)* | 20,144.00 | 12,796.00 | 12,859.00 |

Generally, in arriving at an adjusted price under the market approach, appropriate adjustments and analysis would be made to reflect the differences between the appraised asset and market comparables. Typically, adjustment factors include the differences in circumstances of the transactions, timing, location, characteristics of the land, rights and other factors. Based on Valuer's analysis, in determining the appraised value of the Target Land, the specific aspects in relation to the Target Land include: (i) location factors such as commercial prosperity of the land, transportation convenience, infrastructure guarantee, public facilities, regional planning capacity, the types of land and its permitted use surrounding the site; (ii) characteristics factors such as terrain, slope, shape, site area and degree of development within the site; (iii) rights factors such as the term of use over the land, the nature of the site, restrictions on rights and interests, plot ratio and building density etc.

Generally, if the Target Land was better than a market comparable, an upward adjustment would be applied whereas a downward adjustment would be applied if the Target Land was inferior to a market comparable. The adjustments applied to arrive at the Valuation included but were not limited to the following:

| **Adjustment factors** | **Range** |
|---|---|
| Location | -5.50% to 10.70% |
| Individual characteristics | 2.00% to 7.50% |
| Rights | -11.80% to 32.60% |
| Total adjustments | -10.00% to 28.90% |

In terms of location, downward and upward adjustments were applied as the Target Land was superior and inferior to the market comparables in different aspects. For example, the Target Land has greater development potential due to the permitted uses of the surrounding land but at the same time, does not have more superior supporting facilities compared to the market comparables.

In terms of individual characteristics, upward adjustments were applied as the Target Land was superior to the market comparables, such as having a larger site area.

In terms of rights, downward and upward adjustments were applied as the Target Land was superior and inferior to the market comparables in different aspects. For example, the Target Land has a superior permitted use but with a slightly shorter term.

Applying the adjustment factors, the adjusted price for the market comparables are as follows:

| **Comparables** | **1** | **2** | **3** |
|---|---|---|---|
| Adjusted price per square meter *(RMB)* | 18,130.00 | 16,494.00 | 15,791.00 |
| Rounded and adopted price per square meter (*RMB)* | | 16,865.00 | |

Due adjustments including the geography or location, physical characteristics and rights over the land have been considered in arriving at the price of RMB16,865.00 per square meter (excluding deed tax) for the site area of the Target Land.

**(III) Difference Between Appraised Value and Book Value**

Pursuant to the Valuation Report, as of 29 February 2024, the appraised value of the Target Land was approximately RMB51,691,200.00, whereas the book value of the Target Land was approximately RMB53,107,056.61. Accordingly, the appraised value of the Target Land represents an impairment of approximately RMB1,415,856.61 or 2.67% as compared with the book value.

The reason for the impairment is because the book value of the Target Land includes deed tax whereas the Valuer did not consider deed tax given the asset subject to and the Valuation did not include deed tax at the time of valuation.

**(IV) Assumptions of the Valuation**

In determining the Valuation, the Valuer made the following assumptions:

(1) the Valuation is based on the premise that there is a change in the ownership of the appraised asset and a change in ownership includes both a complete change and a partial change;

(2) the Valuation is based on the premise of an open market transaction;

(3) the Valuation is based on the assumption that the appraised asset will continue to be used in the current state and location; and

(4) the Valuation is based on the premise that the legal documents, accounting certificates, books and other materials provided by the owner of the appraised asset are true, complete, accurate and reliable.

All other information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
**Lygend Resources & Technology Co., Ltd.**
**CAI Jianyong**
*Chairman, General Manager*
*and Executive Director*

The PRC, 30 August 2024

*As at the date of this announcement, the executive Directors are Mr. CAI Jianyong, Ms. FEI Feng, Mr. CAI Jianwei and Mr. YU Weijun; the non-executive Director is Mr. Lawrence LUA Gek Pong; the independent non-executive Directors are Dr. HE Wanpeng, Ms. ZHANG Zhengping and Dr. WANG James Jixian.*