VALUATION REPORT

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VALUATION REPORT

PREPARED FOR

RHB INDOCHINA BANK LIMITED (TOUL KORK BRANCH)

(Valuation of a parcel of land erected with a 4-storey shophouse)

PROPERTY ADDRESS
No. E-09, Village of 1, Commune of Srah Chork, District of Daun Penh, Capital City of Phnom Penh, Kingdom of Cambodia.

DATE OF VALUATION
24 April 2018

DATE OF REPORT
25 April 2018

PREPARED BY Mr. Kong Sonit
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REVIEWED BY Mr. Oh, Byung Hee (CEO- License No. V-16-216-01)
Mr. Kim, Sung Hwan (Director- License No. V-16-216-02)

REFERENCE **VR18-203**

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I EXECUTIVE SUMMARY

Legal Description	Village of 1, Commune of Srah Chork, District of Daun Penh, Capital City of Phnom Penh, Kingdom of Cambodia.
Postal Address	Village of 1, Commune of Srah Chork, District of Daun Penh, Capital City of Phnom Penh, Kingdom of Cambodia.
Type of Property	A parcel of land erected with a 4-storey shophouse.
Instructed by	Mr. Cheam Kak and Mrs. Lim Eang.
Prepared For	RHB INDOCHINA BANK LIMITED (TOUL KORK BRANCH).
Valuation Purpose	Financing.
Valuation Date	24 April 2018.
Location	The subject property faces to the West onto Paved Road. It is located approximately 370 meters due north-east of Neaka Voan Secondary School and 400 meters due north-east of Neaka Voan Pagoda respectively.
Physical Site Measurement	71 sq.m.
Build-Up-Area	279 sq.m.
Registered Owner(s)	Mr. Cheam Kak and Mrs. Lim Eang.
Market Value	**US$476,000 (Four Hundred Seventy Six Thousand US Dollars Only)**
Forced Sale Value	**US$381,000 (Three Hundred Eighty One Thousand US Dollars Only)**
Fire Insurance Value	**US$79,000 (Seventy Nine Thousand US Dollars Only)**

The values stated above are approximations and should consequently be read in context with the whole valuation report.

1. INTRODUCTION

Property valuation is the process of forming an opinion of value-in-exchange under certain assumptions. Supply and demand within the property market as a whole and in specific submarkets will be fluctuating all the time and therefore a valuation is a snapshot estimate of the exchange price at a particular point in time. In our valuation practice, we use 5 common property valuation methods as follow:

1.1 Comparison Method

Comparison Method of Valuation is the most commonly used and accepted method in ascertaining the market value of properties. Under the Comparison Method, the valuation approach entails comparing the subject property with similar properties that were sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the value of the subject property.

1.2 Cost Method

It is normally used for individually designed properties or specialised properties for which comparisons are not available or in appropriate. In this approach, the value of the land is added to the replacement cost of the building and other site improvements.

The value of the site is determined by comparison with similar lands that were sold recently and those that are currently being offered for sale in the vicinity with appropriate adjustments made to reflect improvements and other dissimilarities and to arrive at the value of the land as an improved site.

The depreciated replacement cost of the building is derived from the estimation of reconstructing a new building of similar structure and design based on current market prices for materials, labour and present construction techniques and deducting there from the accrued depreciation due to use and disrepair, age and obsolescence through technological and market changes.

1.3 Investment Method

This method of valuation is uniquely applied for investment properties. In the Investment Method, the annual rental income presently received or expected over a period of time for the lease of the property is estimated and deducted therefrom the expenses or outgoings incidental to the ownership of the property to obtain the net annual rental value. This net annual income is then capitalized by an appropriate capitalization rate or Years' Purchase figure to arrive at the present Capital Value of the property.

1.4 Profits Method

The relevant capitalization rate is chosen based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income, ease of sale, management of the property, etc.

The Profits Method of Valuation is used to determine the market value of properties with special licensing requirements. It entails the use of the trading accounts derived from the business operation of the subject property. The gross receipts are adjusted to cover payments for purchases and stocks to determine the gross profit. The operating expenses are then deducted therefrom to assess the net trading profit. This figure of net trading profit lesser than the remunerative interest on the tenant's capital is the divisible balance. A percentage of the divisible balance is deemed to be the estimated net annual rental value of the subject property. This estimated net annual income is then capitalized by an appropriate capitalization rate or Years' Purchase figure to capitalize the income to the present Capital Value of the property.

1.5 Residual Method

The Residual Method of Valuation is normally used for development land or projects. This approach entails estimating the gross development value of the development components and deducting therefore the development costs to be incurred, i.e. preliminary expenses, statutory payments, earthworks, infrastructure and building construction costs, professional fees, contingencies, project management fees, marketing and legal fees, financing costs, developer's profits and other costs (if any) to arrive at the residual value. This residual value appropriately discounted for the period of development and sale is deemed to be the present market value of the subject property.

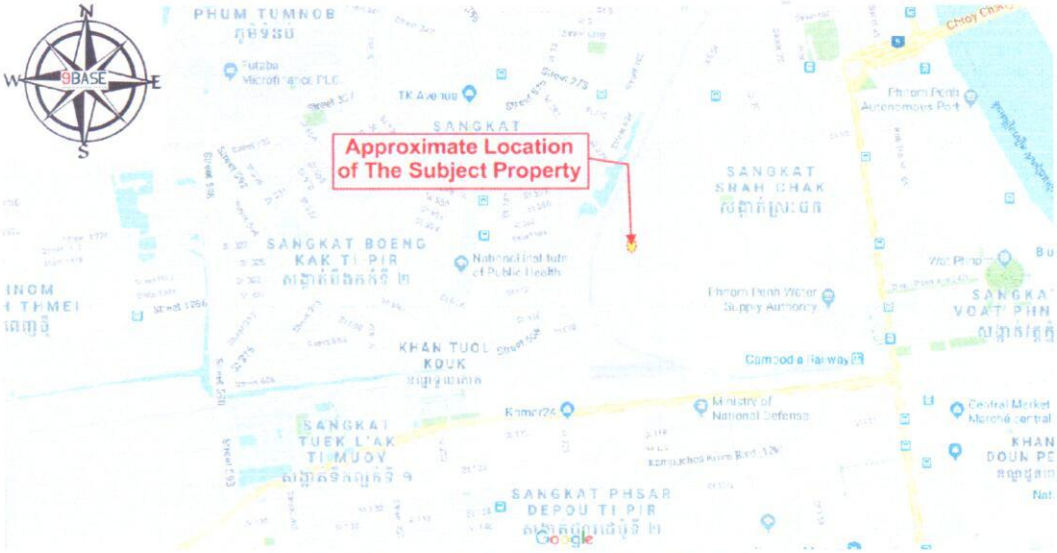
The gross development value is derived by comparing the development components of the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the proposed selling prices of the development components. The development costs to be incurred are the actual or estimated costs, fees, etc which are likely to be incurred for the development components upon completion.

2. SITE DESCRIPTION

2.1 Location

The subject property faces to the West onto Paved Road. It is located approximately 370 meters due north-east of Neaka Voan Secondary School and 400 meters due north-east of Neaka Voan Pagoda respectively.

Village of 1, Commune of Srah Chork, District of Daun Penh, Capital City of Phnom Penh, Kingdom of Cambodia.



APPROXIMATE LOCATION MAP OF THE SUBJECT PROPERTY

LOCATION OF SUBJECT PROPERTY
CAPTURED FROM GOOGLE EARTH
(GOOGLE EARTH POINT: 11°34'32.34"N 104°54'23.04"E)

2.2 Accessibilities

The subject property is easily accessible from Toul Kork Antenna via Street 289, Street 608 and thence tuning onto Paved Road, totally travelling about 2.4 kilometers.

• SURROUNDING LANDMARK OF SUBJECT PROPERTY
[NEAKA VOAN SECONDARY SCHOOL]

- The subject property faces to the West onto Paved Road. It is located approximately 370 meters due north-east of Neaka Voan Secondary School.

[NEAKA VOAN PAGODA]

- The subject property faces to the West onto Paved Road. It is located approximately 400 meters due north-east of Neaka Voan Pagoda.

2.3 Neighborhood Characteristics

Surrounding developments within 2 km radius from the immediate vicinity comprises mainly commercial and residential, including markets, schools, condos, pagodas, government institutions, petrol stations, shop - houses, hostels, universities and restaurants.

2.4 Services

All essential utility services such as water, electricity and drainage systems are available in the vicinity of the subject property and currently are connected to the subject property.

2.5 Town Planning

Information on Planning is obtained from the Structure Plan, Local Plan and Development Plans published by the relevant Authorities. Whilst we may make verbal enquiries, unfortunately we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road and drainage improvements. If reassurance is required, we strongly recommend that your solicitor or other professional advisors undertake this task of verification on your behalf.

Our investigation and verbal enquiry with officer at Commune of Srah Chork revealed that the subject property is located within an area designated for mixed use.

However, at the date of our inspection we note that the subject property is currently located within a residential area.

3. PROPERTY DESCRIPTION

Land area

The subject has physical site measurement land area of 71 sq.m.

Land shape

It is an intermediate lot and rectangular in shape.

Tenure

The subject property is currently under a soft titled deed which is an obtained free hold.

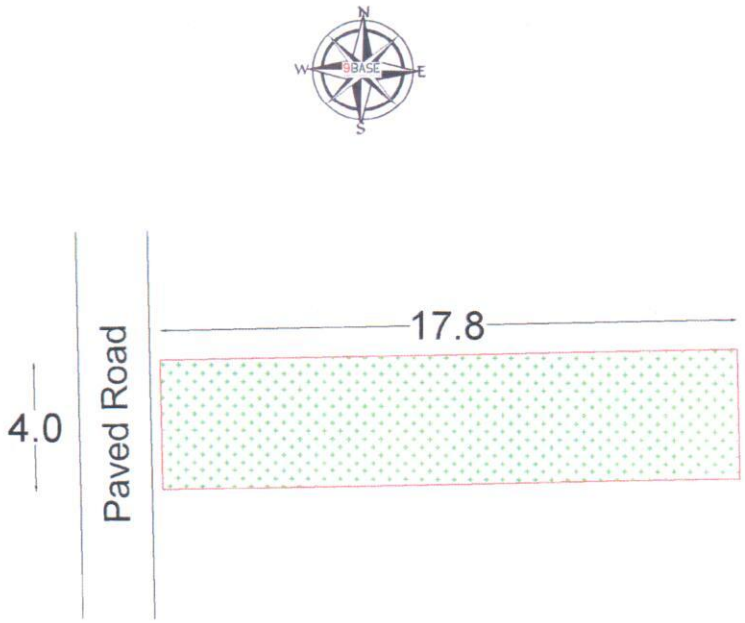
Terrain

The site is generally flat and lies slightly higher than the front facing road.

Site Boundaries

	Description	Demarcation
North	Abuts onto neighbouring lot.	Plastered brick walls.
South	Abuts onto neighbouring lot.	Plastered brick walls.
East	Abuts onto neighbouring lot.	Plastered brick walls.
West	Abuts onto Paved Road.	Plastered brick walls.

- Sketch site plan of the subject property is attached as follow:



3.1 Construction Details of Buildings

Erected building specifications and finishes are as follows:

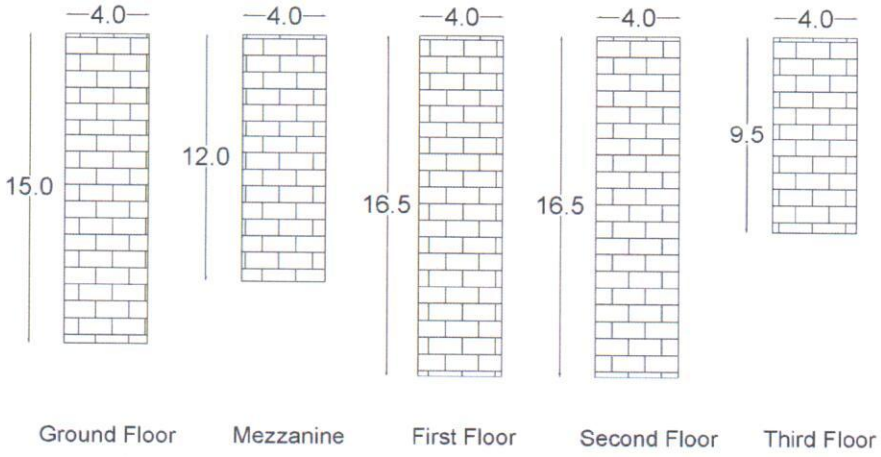
- Structure : Reinforced concrete frameworks.
- Floor : Ceramic tiles.
- Wall : Plastered brick walls.
- Ceiling : Cement plaster.
- Roof : Flat concrete roof base covered by roof tiles.
- Doors : Metal incorporating glass panels.
- Windows : Metal incorporating glass panels.

- Vertical access : Concrete and Metal handrail.
- Accommodation : Residence.

- Main floor area (MFA)	:	279 sq.m.
- Ancillary floor area (AFA)	:	0 sq.m.

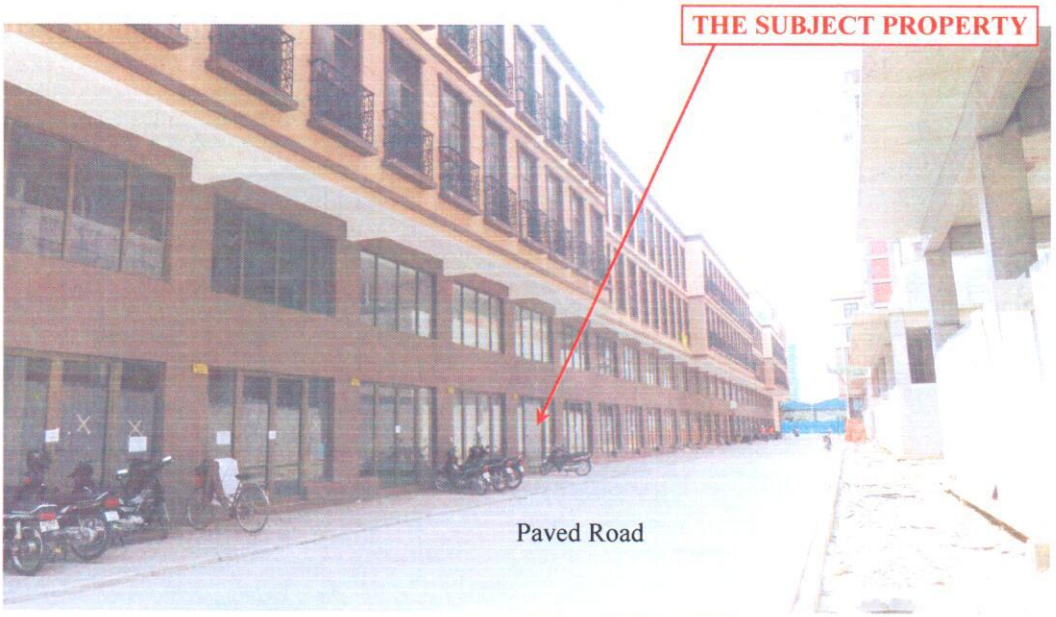
- Gross floor area (GFA)	:	279 sq.m.

- Sketched building floor layout plans of the building are attached as follow:

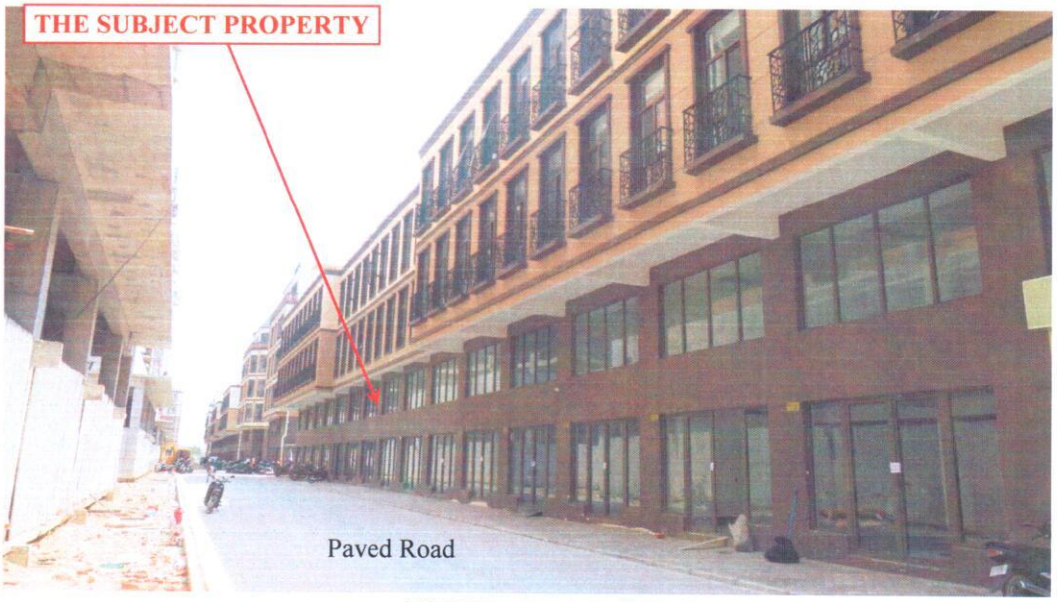


3.2 Photos

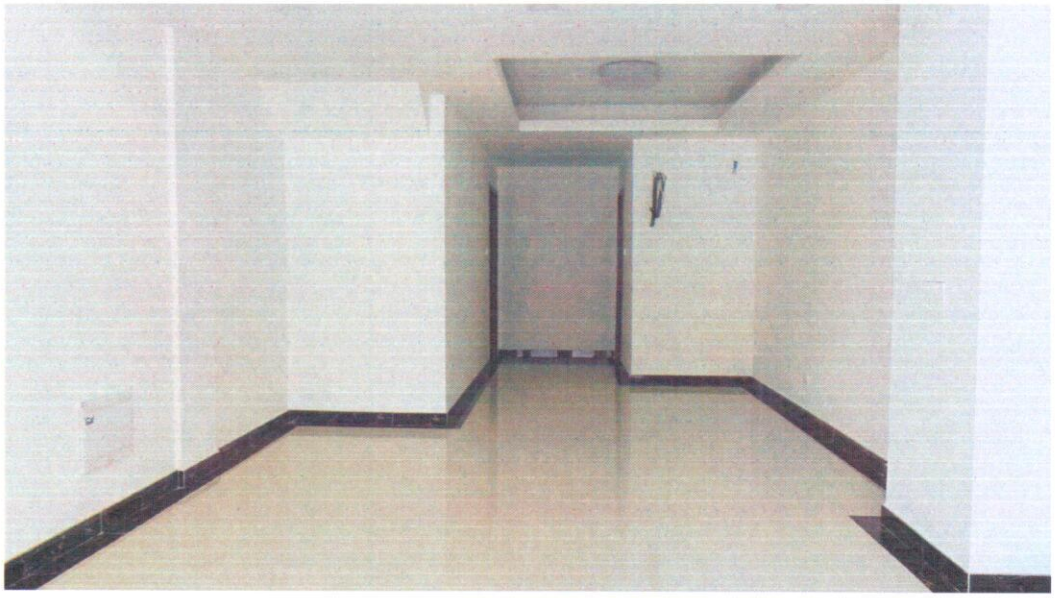
Photographs of the subject property as taken on the date of our inspection are attached as follows:



VIEW FROM NORTH-WESTERN ANGLE



VIEW FROM SOUTH-WESTERN ANGLE



VIEW OF GROUND FLOOR

VIEW OF FIRST FLOOR

VIEW OF SECOND FLOOR

VIEW OF THIRD FLOOR

4. SWOT ANALYSIS

The analysis groups key pieces of information into four main categories which are briefly described as follows:

4.1 Internal Factors

Strengths	Weaknesses
- It fronds onto paved road. - It is rectangular shape. - The terrain of subject property is generally flat. - The subject property is being under commercial use.	- The subject property is currently not under hard titled. - It has limited parking lot.

4.2 External Factors

Opportunities	Threats
- It is located within high density of population with 5 kilometers radius. - It has alternative accessibilities. - It can easily be converted into, office, guesthouse, restaurant and shop.	- Nil.

5. PROPERTY MARKET OUTLOOK

The average land market price of similar properties across the vicinity of the subject property has ranged its value from $5,200 to $5,300 per square meter which is slightly rising about 10% in 2017. In 2018, we expect the land market price of vicinity of the subject property looks positively increase in market sentiment.

6. TENANCIES

At the date of our inspection, we noted that subject property is currently occupied.

7. TITLE PARTICULARS

At the date of our inspection we were unable to obtain the title deed. Hence, our valuation is on 'as-is' basis.

8. DATE OF INSPECTION/VALUATION

The date of valuation is as at the date of our formal onsite inspection of the subject property which was on the 24 April 2018. The site inspection of the subject property was carried out by the owner.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). And the subject property as shown to us is deemed to be the correct lot under valuation.

9. PURPOSE OF VALUATION

We have been instructed by RHB INDOCHINA BANK LIMITED (TOUL KORK BRANCH) to ascertain the current **Market Value**, **Forced Sale Value** and recommended **Fire Insurance Value** of the subject property for **Financing** purpose.

10. ASSUMPTIONS & LIMITATIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have inspected the subject sites internally and the external perimeter of each subject site but have not been provided with Title Plans as of yet to fully understand the site boundaries of each subject site or site dimensions and have not undertaken a site survey. We have not carried out any structural survey and we are therefore unfortunately unable to report on whether each subject site is or is not free from rot, infestation or any other defects.

Dimensions, measurements and areas included in the Report are relied on from details provided by the Instructing Party and are therefore only approximations.

In formulating our opinion of current market value in Cambodia we have adopted a number of critical assumptions which we outline as follows:

Economic and Political -That a stable political environment will prevail in Cambodia and the local economy will remain free from upheaval.

Any variations in the cross rate between the United States and Cambodia currencies will not adversely impact upon sell down performance.

Our valuation has been conducted on the basis that the Cambodia Government over the short to medium term period will adopt monetary policies sufficient enough to provide a stable inflationary environment.

Market - Phnom Penh City will remain as one of the major focus areas for investment in the property market for both local and foreign investors.
Political and economic reform will continue to favour the investment market together with the formal structure for recording land ownership and transparency of transactions.

Property - The subject sites are clear of existing improvements and all compensation and government charges have been paid.
The subject sites are free from any encumbrance, environmental contamination, toxic material and unexploded ordinance that could affect value. No site survey has been carried out by 9BASE, accordingly if there are significant variations to this, then this could have a material effect on the yield and subsequent value.

Valuation - This valuation is subject to critical assumptions. We reserve the right to review and, if necessary, vary the valuation if there are changes to the assumptions made herein.
Currency - Unless otherwise stated, all monetary references contained within this report are in US dollars.

Confidentiality & Disclaimer
This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. They may not be used for any purposes other than the intended purpose mentioned above. Possession of this report or any copy thereof does not carry with it the right of copying. Neither the whole nor any part of the report nor any reference to our name, our valuation and our report may be included in any document, circular or statement, nor published without our prior written consent to the form and context in which they may appear.

11. BASIS OF VALUATION

The bases of valuation adopted are as follow:

11.1 Market Value

It is defined as 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.

Market Value is understood as the value of a property estimated without regard to cost of sale or purchase, and without offset for any associated taxes.

11.2 Forced Sale Value

It is the amount that may reasonably be received from the sale of a property under forced sale conditions that do not meet all the criteria of a normal market transaction. It is a price which arises from disposition under extraordinary or atypical circumstances, usually reflecting an inadequate marketing period without reasonable publicity.

Forced Sale is an inappropriate mode of sale reflecting an unwilling seller condition, and/or disposal under compulsion or duress.

The recommended Forced Sale Value is estimated based on assumptions that the disposal of the property is carried out in a manner reflecting the position of an unwilling seller under conditions of compulsion or duress without an adequate period of marketing for the sale of such property.

11.3 Fire Insurance Value

It is the recommended total cost of reinstatement / reproduction of the building(s) erected on the site including costs of demolition and debris clearance plus the professional fees.

The recommended Fire Insurance Value for building does not include advice on cover for loss of rent or benefits, or cost of use of alternative premises during their period of reconstruction. Clients are therefore advised to seek guidance from professional insurance consultants in respect of their individual insurance needs.

12. ANALYSIS

In this valuation exercise we have valued the subject property in regards to **Comparison Method** and **Cost Method**.

12.1 Comparable Analysis

Our investigations revealed that the current asking prices and transactions of similar properties located within the vicinity of the subject property have different prices depending on the location, size, shape, terrain, potential for development and other relevant factors. All asking prices are subject to further negotiation.

The analyses worksheet of the comparable properties is attached as follows:

- Information of Subject Property

Detail		Subject Property
Property Type	:	A parcel of land erected with a 3-storey shophouse.
Location	:	No. E-09, Village of 1 , Commune of Srah Chork, District of Daun Penh, Capital City of Phnom Penh, Kingdom of Cambodia.
Land Area (sq.m)	:	**71**
Frontage (meter)	:	**4m**
Type of Information	:	Valuation
Date of Inspection	:	24-Apr-18

- Information of Comparable (4)

Detail		Comparable 1	2	3	4
Property Type	:	A 3-storey shophouse	A 3-storey shophouse	A 3-storey shophouse	A 3-storey shophouse
Location	:	Refer to comparable plan			
Land Area (sq.m)	:	71	71	71	71
Frontage (meter)	:	4m	4m	4m	4m
Type of Information	:	Asking	Asking	Asking	Asking
Total Amount (USD)	:	$550,000	$550,000	$580,000	$580,000
Building Amount (USD)	:	$85,000	$85,000	$89,000	$89,000
Land Amount (USD)	:	$465,000	$465,000	$491,000	$491,000
Analyzed (USD psm)	:	$6,549	$6,549	$6,915	$6,915
Source	:	Owner	Owner	Owner	Owner
Date of Information	:	Apr-18	Apr-18	Apr-18	Apr-18

- Analysis Data

Detail		Comparable 1	2	3	4
Negotiation	:	-5%	-5%	-10%	-10%
Market/Time	:	0%	0%	0%	0%
Adjustment Base	:	$6,222	$6,222	$6,224	$6,224
Location					
Road condition	:	-	-	-	-
Distance	:	-	-	-	-
Physical Characteristics					
Size	:	-	-	-	-
Frontage	:	-	-	-	-
Shape	:	-	-	-	-
Lot type	:	-	-	-	-
Terrain	:	-	-	-	-
Title	:	-10%	-10%	-10%	-10%
Improvent	:	-	-	-	-
Total adjustment	:	-10%	-10%	-10%	-10%
Adjusted Value	:	$5,600	$5,600	$5,602	$5,602
Weighted comparable					
100%	:	25%	25%	25%	25%
$5,601	:	$1,400	$1,400	$1,400	$1,400

Area (sq.m)	USD/sq.m	Market Value	Forced Sale Value
71	$5,600	$398,000	$318,000

COMPARABLE PLAN

12.2 Cost Method Analysis

	Titled Land area:	**71** sqm	$5,600 psm	$398,000				
	Frontage:	4.0 meters						
Structure	**Identification**	**Dimension**		**MFA (sqm)**	**AFA (sqm)**	**GFA (sqm)**	**Cost After Depriciation**	**Building Cost After Depriciation**
		Width	Length					
Ground floor	-	4.0	x 15.0	60.0		60.0	$280	$16,800
Mezzanine	-	4.0	x 12.0	48.0		48.0	$280	$13,440
First Floor	-	4.0	x 16.5	66.0		66.0	$280	$18,480
Second Floor	-	4.0	x 16.5	66.0		66.0	$280	$18,480
Third Floor	-	4.0	x 9.5	38.0		38.0	$280	$10,640
				278	0	278	$280	$77,840
							Demolition Cost:	$1,390
							Total Building Value:	$77,840
							Reconciliation Value:	$475,840
Adopted Market Value:								**$476,000**
Forced Sale Value (FSV) - (80% of MV):								**$381,000**
Fire Insurance Value (FIV):								**$79,000**

13. OPINION OF VALUES

In accordance with instruction and assumptions made within this report, the assessed current market value, forced sale value and fire insurance value of the subject property as at 25 April 2018, as follows:

Market Value
US$476,000
(Four Hundred Seventy Six Thousand US Dollars Only).

Breakdown Market Values:

Subject Property	Area (sq.m)	Market Value (USD)	USD/sq.m
Land	71	$398,000	About $5,600
Building	279	$78,000	About $280

Forced Sale Value
US$381,000
(Three Hundred Eighty One Thousand US Dollars Only).

Fire Insurance Value
US$79,000
(Seventy Nine Thousand US Dollars Only).

Yours faithfully,
9BASE Co., Ltd

OH BYUNG HEE
CEO
License No. V-16-216-01

KIM SUNG HWAN
Director
License No. V-16-216-02

Appendix "A"