
APPENDIX IV

PROPERTY VALUATION

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants



10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

[●] 2009

The Directors
Peak Sport Products Co., Limited

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Peak Sport Product Co., Limited (the “Company”) or its subsidiaries (collectively referred to as the “Group”), 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 market value of such property interests as at 31 July 2009 (the “date of valuation”) for incorporating into the document.

Our valuation is our opinion of the market value of the property interest which we would define as intended 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”.

For properties located in the PRC, we have not caused title search to be made at the relevant government bureau in the People’s Republic of China (the “PRC”) nor inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation, we have relied on the legal opinions provided by the Group’s PRC legal advisers, King & Wood (the “PRC legal opinion”).

In valuing the property interests in Group I, due to the lack of identifiable market transaction on properties of similar nature of the buildings and structure, we have adopted a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land respectively. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land prices in the relevant cities and the sales evidences in the locality as available to us.

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 properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes a reliable indication of value for property in the absence of a known market based on comparable sales. It is subject to adequate potential profitability of the business or of the whole entity.

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The properties in Group II have been ascribed no commercial value due to the short-term nature of their tenancies, their prohibition against assignment or sub-letting, or otherwise the lack of substantial profit rent.

In valuing the properties, we have assumed that the property owner has free and uninterrupted rights to use the property and is entitled to transfer, lease or mortgage the property to any third party with the residual term without payment of any further premium or onerous fee to the government or any third party. All land use rights premium and other relevant costs and fees on utility provisions are assumed to have been fully settled.

Our valuation has been made on the assumption that the owners sell the property interests on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation. Unless otherwise stated, the valuation represents the value of the entire property interest described in the valuation certificate and not the value of a share of it. Other assumptions in respect of each property, if any, have been set out in the notes of the valuation certificates for the respective properties.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plans, construction costs, identification of the properties and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

We have had no reason to doubt the true and accuracy of the information provided to us by the Group, and have no reason to suspect that any material information has been withheld. We considered that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

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.

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In valuing the property interests, we have complied with the requirements set out in [●] and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”).

We enclosed herewith a summary of our valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS, MHKIS has over twenty two years’ experience in undertaking valuations of properties in Hong Kong, and has over fifteen years’ experience in the valuation of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.

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SUMMARY OF VALUATION

Property	Capital Value in existing state as at 31 July 2009
Group I — Property interests owned and occupied by the Group in the PRC	
1. An industrial complex at Shoe Leather City, Shang’gao County Industrial Park, Yichun City, Jiangxi Province, the PRC	RMB84,100,000 (see also note (v) in the certificate)
2. An industrial complex at Lot A6, Cheng Nan Industrial Zone, Hui’an County, Fujian Province, the PRC	RMB170,500,000
Sub-total:	
	RMB254,600,000
Group II — Property interests leased and occupied by the Group in the PRC	
3. Workshops and dormitories located at Dong Hai Street, Dong Bao Pi Ke Industrial District, Quanzhou City, Fujian Province, the PRC	No commercial value
4. Units 1009–10, Block B, No. 242 Tianhe Road, Guangzhou City, Guangdong Province, the PRC	No commercial value
Sub-total:	
	Nil
Grand-total	
	RMB254,600,000

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VALUATION CERTIFICATES

Group I — Property interests owned and occupied by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July 2009
1. An industrial complex at Shoe Leather City, Shang’gao County Industrial Park, Yichun City, Jiangxi Province, the PRC	<p>The property comprises 2 parcels of land with site areas of respectively approximately 200,000 sq.m. and 133,333 sq.m. (total 333,333 sq.m.) together with the buildings and structures completed or being constructed thereon.</p> <p>The buildings including 7 workshops and 4 dormitories having a total gross floor area of approximately 55,496 sq.m. completed in between 2007 and 2008.</p> <p>In addition, there are construction of 3 workshops, 1 boiler room and 2 dormitory buildings having a planned total gross floor area of approximate 33,568.64 sq.m. in progress. The scheduled date of their completion is around 2010. (see note (v) below)</p> <p>The land use rights of the two sites are held for industrial uses for terms expiring respectively in September 2056 and November 2056.</p>	The property is held and occupied by the Group as a manufacturing complex.	RMB84,100,000 (see also note (v) below)

Notes:

- i. According to the State-owned Land Use Rights Certificate No. Gong Ye Yuan Guo Yong (2006) Zi No. 0111, the land use rights of the property having a site area of approximately 200,000 sq.m. (300 Mu) have been granted to 匹克(江西)實業有限公司 (Peak (Jiangxi) Industry Co. Ltd. or “Peak Jiangxi”) for industrial uses for a term expiring in September 2056.

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According to the State-owned Land Use Rights Certificate No. Jing Jiang Guo Yong (2006) Zi No. 0002-1, the land use rights of the property having a site area of approximately 133,333 sq.m. (200 Mu) have been granted to Peak Jiangxi for comprehensive uses for a term expiring in November 2056.

- ii. According to 7 Building Ownership Certificates Nos. Shang Fang Quan Zheng Ao Zi Nos. 03-2008-0476 and 03-2008-0481 to 03-2008-0486, the title of seven single-storey buildings (for workshop uses) having a total gross floor area of approximately 33,138 sq.m. is vested in 匹克(江西)實業有限公司(許景南) (Peak (Jiangxi) Industry Co. Ltd. (Xu Jing Nan)).

According to 4 Building Ownership Certificates Nos. Shang Fang Quan Zheng Ao Zi Nos. 03-2008-0477 to 03-2008-0480, the title of four 6-storey buildings (for commercial use on the first level and residential uses on the upper levels) having a total gross floor area of approximately 22,358 sq.m. is vested in 匹克(江西)實業有限公司(許景南) (Peak (Jiangxi) Industry Co. Ltd. (Xu Jing Nan)).

- iii. According to a State-owned Land Use Rights Grant Contract entered into between Land Resource Bureau of Shang’gao County, Jiangxi (the Grantor) and Peak Jiangxi (the Grantee) on 20 June 2006, the land use rights of the property for a site having an area of 300Mu (approximately 200,000 sq.m.) were agreed to be granted to Peak Jiangxi for industrial use for a term of 50 years.

According to a State-owned Land Use Rights Grant Contract entered into between Land Resource Bureau of Shang’gao County (the Grantor), Jiangxi and Peak Jiangxi (the Grantee) on 9 November 2006, the land use rights of the property for a site having an area of 200Mu (approximately 133,333 sq.m.) were agreed to be granted to Peak Jiangxi for comprehensive uses for a term of 50 years.

According to the Company, the total cost expended on the land acquisition was approximately RMB5,602,000.

- iv. According to the Construction Land Use Planning Permit No. 2006Y0507024 dated 19 May 2006, the construction land use planning for industrial complex development on the site having a total area of 500 Mu(or approximately 333,333 sq.m.) has been granted.
- v. There are construction of 3 workshops, 1 boiler room and 2 dormitories in progress and 4 incompletd dormitories on the site. Their planned total gross floor area is approximately 57,200.8 sq.m. According to the Company, the application for the relevant construction works and construction commencement permits are in progress. The scheduled date of their completion is around 2010. The total cost expended on the construction, as at the date of valuation, was approximately RMB5,132,000. The outstanding cost to complete the project was RMB31,130,000. Our valuation has not taken the construction costs expended into account.
- vi. The PRC legal opinion states, *inter alia*, as follows:
 - (1) Peak Jiangxi legally holds the land use rights and the building ownership rights of the property under the land use rights certificates and the building ownership certificates respectively.
 - (2) Peak Jiangxi is entitled to occupy, use, assign, lease out, mortgage the land use rights and the building ownership rights or use the land and the buildings in accordance with the laws.
 - (3) The property is subject to a mortgage in favour of China Construction Bank, Quanzhou Bincheng Branch.
- vii. According to the Company, Peak Jiangxi is an indirectly wholly-owned subsidiary of the Company.

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Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 31 July 2009
2. An industrial complex at Lot A6, Cheng Nan Industrial Zone, Hui'an County, Fujian Province, the PRC	<p>The property comprises 4 parcels of land having a total site area of approximately 71,935.8 sq.m. together with the buildings and structures completed thereon.</p> <p>According to the Company, the property is planned to be developed into a industrial complex comprising workshops and dormitories having a planned total gross floor area of approximately 178,937 sq.m. together with the associated structures including roadworks and fencing wall.</p> <p>The buildings having a total gross floor area of approximately 122,226.42 sq.m. have been completed in 2008.</p> <p>The property is held with the land use rights for industrial uses for a term expiring in 2056.</p>	The property is held and occupied by the Group as a manufacturing complex.	RMB170,500,000

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Notes:

- i. According to 4 State-owned Land Use Rights Certificates, the land use rights of the property having a total site area of approximately 71,935.8 sq.m. have been granted to 匹克(中國)有限公司(Peak (China) Limited Company or “Peak China”) for industrial uses. The further details are as follows:

<u>Certificate No.</u>	<u>Year Term Expiring Date</u>	<u>Site Area (in sq.m.)</u>
Hui Guo Yong (2009 Chu) Zi No. 11	31 December 2056	6,829.9
Hui Guo Yong (2007 Chu) Zi No. 120044	31 December 2056	26,054.0
Hui Guo Yong (2008 Chu) Zi No. 120011	27 October 2056	13,867.2
Hui Guo Yong (2008 Chu) Zi No. 120012	31 December 2056	25,184.7
Total:		<u>71,935.8</u>

- ii. According to the Construction Land Use Planning Permit No. Wei Gui Jiang No. 200705 dated 29 January 2007, the construction land use planning for workshops and their associated buildings at a plot ratio of 2.01 on a site having a total area of 89,737 sq.m. has been granted.
- iii. According to the Construction Project Planning Permit No. Jiang Zi No. 350521200800019 dated 28 March 2008, the construction project on workshops and their ancillary facilities with a total gross floor area of 174,795.4 sq.m has been granted.
- iv. According to the Construction Works Commencement Permit No. 350521200805210101 dated 21 May 2008, the commencement of the construction works on workshops and dormitories respectively with the areas of 129,312 sq.m. and 34,174 sq.m. have been granted.
- v. According to 3 Building Ownership Certificates (Document Nos.: Fang Quan Zheng Hui Yang Zi Nos. 0307, 0308 and 0309), the buildings having a total gross floor area of approximately 122,226.42 sq.m. are vested in Peak China.
- vi. The PRC legal opinion states, inter alia, as follows:
- (1) Peak China legally holds the land use rights and the building ownership rights of the property under the land use rights certificates and the building ownership certificates respectively.
 - (2) Peak China is entitled to occupy, use, assign, lease out, mortgage the land use rights and the building ownership rights or use the land and the buildings in accordance with the laws.
 - (3) Based on the related agreement and the confirmation by the China Construction Bank, Quanzhou, Bincheng Branch, the titles held under 3 Building Ownership Certificates (Document Nos.: Fang Quan Zheng Hui Yang Zi Nos. 0307, 0308 and 0309) and the land use rights held under 4 State-owned Land Use Rights Certificates (Document Nos.: Hui Guo Yong (2007 Chu) Zi No. 120044, Hui Guo Yong (2008 Chu) Zi Nos. 120011 and 120012 and Hui Guo Yong (2009 Chu) Zi No. 11 are subject to a mortgage in favour of China Construction Bank, Quanzhou Bincheng Branch.
- vii. According to the Company, Peak China is an indirectly wholly-owned subsidiary of the Company.

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Group II — Property interests leased and occupied by the Group in the PRC

			Capital Value in existing state as at 31 July 2009												
<u>Property</u>	<u>Description</u>	<u>Particulars of occupancy</u>													
3. Workshops and dormitories located at Dong Hai Street, Dong Bao Pi Ke Industrial District, Quanzhou City, Fujian Province, the PRC	<p>The property comprises 4 building blocks having a total gross floor area of approximately 37,644 sq.m. completed in about 2005.</p> <p>The buildings include the followings:</p> <table><tr><th><u>Building Name</u></th><th><u>Approximate Gross Floor Area (in sq.m.)</u></th></tr><tr><td>Workshop A1</td><td>14,461</td></tr><tr><td>Office A2</td><td>4,523</td></tr><tr><td>Workshop BC</td><td>9,414</td></tr><tr><td>Dormitory E</td><td>9,246</td></tr><tr><td>Total:</td><td>37,644</td></tr></table>	<u>Building Name</u>	<u>Approximate Gross Floor Area (in sq.m.)</u>	Workshop A1	14,461	Office A2	4,523	Workshop BC	9,414	Dormitory E	9,246	Total:	37,644	<p>The property is leased from 福建匹克集團有限公司 (Fujian Peak Group Co., Ltd or “Fujian Peak”), a related party, for a term expiring on 31 December 2018 at a monthly rent of RMB188,221.6.</p> <p>The property is occupied by the Group as a manufacturing complex.</p>	No commercial value
<u>Building Name</u>	<u>Approximate Gross Floor Area (in sq.m.)</u>														
Workshop A1	14,461														
Office A2	4,523														
Workshop BC	9,414														
Dormitory E	9,246														
Total:	37,644														

Notes:

- i. According to an Assets Lease Agreement entered into between 福建匹克集團有限公司 (Fujian Peak) (the lessor) and 泉州匹克鞋業有限公司 (Quanzhou Peak Shoes Company Limited or “Peak Shoes”) (the lessee), the property is leased to the Group for a term from 1 June 2008 to 31 December 2018 at a monthly rent of RMB188,221.6 for production and business operation uses. The lessor is responsible for the building structure maintenance. The lessee is also granted with the pre-emption right on the lease renewal and purchase of the property.
- ii. The PRC legal opinion states, *inter alia*, as follows:
 - (1) According to the State-owned Land Use Rights Certificate No. Quan Guo Yong (2008) No. 200022, the land use rights of the property having a site area of approximately 26,038.6 sq.m. have been granted to lessor via assignment for industrial uses for a term expiring on 30 June 2057.
 - (2) The lessor has legally acquired the title of the buildings and their corresponding site. It is entitled to lease out the property. The property is not subject to mortgage or other significant encumbrances.
 - (3) The content of the lease agreements are legally effective, binding and enforceable. The lessee is entitled to use the property in accordance with the lease terms.
 - (4) The lease agreements have been registered with the authority in accordance with the law in the PRC.
 - (5) As confirmed by Peak Shoes, the current use of the property is in compliance with the approved use stated in the relevant certificate.
- iii. According to the Company, Peak Shoes is an indirectly wholly-owned subsidiary of the Company.

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4. Units 1009-10, Block B, No.242 Tianhe Road, Guangzhou City, Guangdong Province, the PRC	The property comprises an office unit on the 10th level of a 28-storey composite building completed in about 2006. The property has a gross floor area of approximately 318.54 sq.m.	The property is leased to 福建泉州匹克體育用品 有限公司 (Fujian Quanzhou Peak Sports Products Co., Ltd. or “Peak Sports”) from Gao Lin Hui, an independent third party, for a term from 10 July 2009 to 9 July 2011 at a monthly rent of RMB21,660, exclusive of service charges. The property is occupied by the Group as office.	No commercial value

Notes:

- i. The PRC legal opinion states, *inter alia*, as follows:
 - (1) The lessor has entered into a Commodity House Sales and Purchase Agreement with 廣州豐偉房地產開發有限公司 (the seller) on 9 November 2006 on the purchase of the property for office use.
 - (2) The content of the lease agreement is legally effective, binding and enforceable. The lessee is entitled to use the property in accordance with the lease terms.
 - (3) The lessor has completed the relevant registration of the lease agreement with the administrative authority.
 - (4) The lessor has obtained the Building Ownership Certificates of the property.
 - (5) As confirmed by Peak Sports, the current use of the property is in compliance with the approved use stated in the lease agreement.
- ii. According to the Company, Peak Sports is an indirectly wholly-owned subsidiary of the Company.