

Han's Europe AG

Engelberg

Independent Assurance Report
on cash-flows for the Project in Engelberg
to the Board of Directors

Independent Assurance Report

on cash flows for the Project in Engelberg to the Board of Directors of Han's Europe AG

Engelberg

We have been engaged by Han's Europe AG to perform assurance procedures to provide reasonable assurance on cash flows for the Kurpark Engelberg project and the project related administration and management (the "Project") by Han's Europe AG (the "Company") for the period between 1 October 2011 to 30 June 2019.

The Project consisted of acquisition of land and existing properties, namely Europäischer Hof, in Engelberg and construction activities. The Company was granted the final construction permit in 2016. Han's Laser Technology Co., Limited, Hong Kong has provided approximately CHF 134 million funding to the Company for the Project in the period 1 October 2011 to 30 June 2019.

Purpose to the assurance engagement is to determine whether there is reasonable assurance that the cash flows from Han's Laser Technology Co. Limited, Hong Kong to the Han's Investment Holding AG and then to the Company (each of these three entities controlled by Han's Laser Technology Industry Group Co Ltd, incorporated in Shenzhen, China) have been used solely for the Project, and those cash flows have not been used outside the Project, specifically no cash-flows have been transferred to Han's Holdings Group Ltd (an entity incorporated in Shenzhen, China and not controlled by Han's Laser Technology Industry Group Co Ltd, incorporated in Shenzhen, China). Further purpose is whether such cash flows were recorded accurately in accordance with article 957 sqq. of the Swiss Code of Obligations (SCO), together the Criteria.

Management's responsibility

The Management of the Company is responsible for the bookkeeping of the Project in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of the internal control system related to the cash flows for the Project that they are free from material misstatement, whether due to fraud or error. Furthermore, the Management is responsible for the selection and application of the Criteria and adequate record keeping.

Auditor's responsibility

Our responsibility is to perform an assurance engagement and to express an opinion on the cash flows for the Project. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information". Those standards require that we plan and perform our procedures to obtain reasonable assurance whether the cash flows for the construction of the Project have been used solely for the Project as noted in the second paragraph as well as whether such cash flows were recorded accurately, in all material aspects, in accordance with the article 957 sqq. SCO.

Based on risk and materiality considerations, we performed our assurance procedures to obtain sufficient and appropriate assurance evidence. The assurance procedures selected depend on the assurance practitioner's judgement.

We performed the following assurance procedures, among others:

- We obtained bank confirmations from the Swiss banks of Han's Investment Holding AG and the Company as per 31 December 2011 to 2018 and 30 June 2019.
- We traced the Project related cash flows from Han's Laser Technology Co., Limited, Hong Kong to Han's Investment Holding AG and then to the Company.
- We reconciled the data as outlined in the "Total cash used in the construction of the Project" in Annex 1, prepared by Han's Europe AG, to data derived from the underlying condensed construction records («Baubescheinigung») or the respective asset purchase agreements.

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, CH-4002 Basel, Switzerland
Telefon: +41 58 792 51 00, Telefax: +41 58 792 51 10, www.pwc.ch

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- We reconciled the data as outlined in “Total other cash used in or dedicated for the Project” in Annex 1, prepared by Han’s Europe AG, to supporting documents.
- We reconciled the payments made by the Company for the Project to payment requests of the general contractor.
- We reviewed documents from the sub-contractors relating to the Project supporting the payment requests from the general contractor.
- We inquired Company’s management of the internal control process established by the Company, supported by external service providers (in particular the general contractor and a trustee), for the Project in respect of the approval of the invoices of the general contractor and the subcontractors for the Project and the related payments from the Company to the general contractor.
- We tested the internal control process related to the Project established by the Company, supported by external service providers (in particular the general contractor and a trustee), in respect of the approval of the invoices of the general contractor and the subcontractors for the Project and the related payments from the Company to the general contractor.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and by EXPERTsuisse-Swiss Institute of Certified Accountants and Tax Consultants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the cash flows from Han’s Laser Technology Co. Limited, Hong Kong to the Han’s Investment Holding AG and then to Han’s Europe AG for the Project for the period between 1 October 2011 to 30 June 2019 have been used solely for the Project, as noted in second paragraph, and are recorded accurately, in all material respects, in accordance with the Criteria.

Restriction of use and purpose

Our report is intended solely for the purpose set forth in this report and for the information of the Board of Directors of Han’s Europe AG. As a result, the report about cash flows for the Project by Han’s Europe AG may not be suitable for another purpose. This report should not be distributed to or used by any other parties for any other purpose, except that a copy of this report may be provided to Han’s Investment Holding AG, Engelberg (the parent company) or Han’s Laser Technology Industry Co. Limited, Hong Kong. We have been informed, that this report is distributed to China Securities Regulatory Commission (Shenzhen) in relation to the purpose set forth in the second paragraph. We do not assume responsibility towards or accept liability to any person for the contents of this report other than with the Company.

PricewaterhouseCoopers AG



Bruno Rossi



Andreas Kägi

Basel, 3 October 2019

Enclosures: Annex 1: Cash used in the Project in Engelberg from 1 October 2011 to 30 June 2019

Annex 1:**Cash used in the Project in Engelberg from 1 October 2011 to 30 June 2019**

BKP¹⁾	CATEGORY	TOTAL in CHF
0	Plot (including existing buildings)	13'067'800
1	Preparation works (terrain, ground, etc.)	13'835'037
2	Building (shell work & expansion work & technical installations)	49'465'855
29	Design and planning costs	27'653'264
3	Operating equipment	2'071'425
4	Environment	28'881
5	Construction other costs	13'152'312
9	Internal design decoration	1'516'244
Total cash used in the construction of the project		120'790'817
Total other cash used in or dedicated for the project²⁾		13'857'579
Total		134'648'396

¹⁾ BKP refers to the categories of the condensed construction record ("Baubescheinigung")
The data presented is derived from the condensed construction record

²⁾ The total cash used in or dedicated for the Project mainly consists of:
Cash in the bank, equity, receivables against third parties,
administration and management expenses.