
APPENDIX III

PROPERTY VALUATION

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the property interest held by the Group as at 31 August 2021.



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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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Licence No.: C-030171

[•] November 2021

The Board of Directors
Vanov Holdings Company Limited
40th Floor, Dah Sing Financial Centre
248 Queen's Road East, Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest held by Vanov Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 31 August 2021 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by the cost approach with reference to its depreciated replacement cost.

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Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Construction Land Planning Permit, Real Estate Title Certificate, Construction Work Planning Permit, Construction Work Commencement Permit and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and

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any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Beijing Dentons Law Offices, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in June 2021 by Ms. Cyndi Huang, who is a Chartered Surveyor and a China Real Estate Appraiser and has 9 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to

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uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of this property under frequent review.

Our valuation certificate is attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

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VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2021 RMB
<p>Chengdu Production Site located at No. 519, Section 2, Xinhua Avenue, Chengdu Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, the PRC</p>	<p>Chengdu Production Site is located in the Chengdu Strait Science and Technology Industry Development Park. The Park is an important modern light industry base in Chengdu. Along Xinhua Avenue, which is one of the arterial roads of the locality, there are many factory complexes. The property is on the southern side of Xinhua Avenue.</p> <p>The property comprises a parcel of land with a site area of approximately 38,390.91 sq.m. and 4 completed buildings and various ancillary structures erected thereon (the “Completed Portion”).</p> <p>Completed in 2009, the 4 completed buildings of the property are factory building one, a staff dormitory, a staff canteen and a power distribution house. These buildings have a total gross floor area of approximately 15,891.85 sq.m.</p> <p>The structures mainly include a shower room, a bicycle shed, a basketball court, boundary walls and roads.</p> <p>The property also comprises a gross floor area of approximately 5,039.00 sq.m., which represented factory building three, and the demolition works including the demolition of the west facade of exterior wall and the roof of factory building three had been completed as at the valuation date.</p> <p>Apart from the Completed Portion and factory building three, the property also comprises two buildings (a factory building and a power distribution house with a total gross floor area of approximately 18,721.40 sq.m.) and a structure (a fire service pump room) under construction (altogether known as factory building two, the “CIP”). As advised by the Group, the CIP is scheduled to be completed in the second half of 2021. The development cost (excluding the land cost) of the CIP is estimated to be approximately RMB39,690,000, of which approximately RMB29,710,000 had been incurred up to the valuation date, as advised by the Group.</p> <p>The land use rights of the property have been granted for a term of 20 years expiring on 22 May 2038 for industrial use.</p>	<p>As at the valuation date, portions of the property were occupied by the Group for production and ancillary purposes, factory building two was under construction, whilst factory building three was vacant. As at the valuation date, the guard room (without title certificate and mentioned in the relevant mortgage contract) of the Chengdu Production Site had been demolished, and the demolition works including the demolition of the west facade of exterior wall and the roof of factory building three had been completed.</p>	<p>62,700,000 <i>(refer to note 6)</i></p>

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Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — 510115-2018-C-008 dated 17 April 2018, the land use rights of a parcel of land with a site area of approximately 38,390.91 sq.m. were contracted to be granted to Sichuan Huanlong Technology Fabric Co., Ltd. (四川環龍技術織物有限公司, “Sichuan Huanlong”, an indirect non-wholly owned subsidiary of the Company) for a term of 20 years for industrial use. The land premium was RMB6,524,539.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 510115201820160, permission towards the planning of the land parcel with a site area of approximately 38,390.91 sq.m. has been granted to Sichuan Huanlong.
3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 510115202030201, the buildings with a total gross floor area of approximately 29,464.16 sq.m. (portions of the property) have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — No. 510115202007090401 in favour of Sichuan Huanlong, permission by the relevant local authority was given to commence the construction of portions of the property with a total gross floor area of approximately 18,721.40 sq.m.
5. Pursuant to a Real Estate Title Certificate — Chuan (2020) Wen Jiang Qu Bu Dong Chan Quan Di No. 0075516, 4 buildings with a total gross floor area of approximately 15,891.85 sq.m. are owned by Sichuan Huanlong. The relevant land use rights of these buildings with a total apportioned site area of approximately 11,600.72 sq.m. have been granted to Sichuan Huanlong.
6. In the valuation of the property, we have attributed no commercial value to factory building three with a gross floor area of approximately 5,039.00 sq.m. which has not obtained relevant title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the valuation date would be RMB4,480,000.
7. Pursuant to 2 Mortgage Contracts of Maximum Amount — Nos. ZD7301202000000137 and ZD7301202000000138, the land parcel, 4 completed buildings, factory building three and the guard room (which had been demolished as at the valuation date) of the Chengdu Production Site are subject to two mortgages in favour of Shanghai Pudong Development Bank Co., Ltd. Chengdu Branch as security to guarantee the obligations for a total amount of RMB49,150,000 with the security term from 4 January 2021 to 4 January 2024.
8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Sichuan Huanlong is the legal owner of the land use rights of the property and legally has the ownership of the aforementioned land use rights. The actual use of the land is consistent with the use specified in the real estate title certificate. Sichuan Huanlong has the rights to legally occupy and use the land within the tenure of the land use rights. With the consent of the mortgagee, Sichuan Huanlong can transfer, remortgage or otherwise dispose of the land use rights in any other legal ways;
 - b. Sichuan Huanlong has obtained the necessary administrative permissions before the construction of the CIP;

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- c. As to the buildings and structures stated on the real estate title certificate mentioned above, there are the following situations: i) Sichuan Huanlong has started the construction before obtaining the construction land planning permit, construction work planning permit and construction work commencement permit; ii) Sichuan Huanlong has not fulfilled the procedures of fire service record within the legal time limit after completion, iii) Sichuan Huanlong has started to use these buildings and structures before the construction work completion and inspection. The possibility of substantial adverse effects due to the above situations on the existence, operation and production of Sichuan Huanlong is relatively small; and

- d. Except for the aforementioned mortgages, Sichuan Huanlong has not sold, transferred, mortgaged or set other third party's interests or restrictions on the use rights of the land and the buildings that has obtained the real estate title certificate. The land and the buildings has not been sealed up, frozen, compulsorily expropriated or under other legal procedures that have a significant adverse impact on the use of them.