

**APPENDIX III**

**PROPERTY VALUATION REPORT**

*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 as at 31 July 2022 of the properties held by the Group.*



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Company Licence No.: C-030171

9 September 2022

The Board of Directors

**LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.\***

1/F, 5/F

Building 41

No. 258, Xinzhuan Road

Songjiang District

Shanghai

The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property interests held by LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.\* (the “Company”) and its subsidiary (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 of the market values of the property interests as at 31 July 2022 (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.”

We have valued the property interests in Group I which are held for investment by the Group and property interests in Group II which are held and occupied by the Group by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

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Our valuation has been made on the assumption that the seller sells the property interests 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 values of the property interests.

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

In valuing the property interests, 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 issued 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, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties 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 properties. 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. 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 properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in February 2021 by Ms. Peiling Cai who has obtained a master degree with subjects in Real Estate and has 3 years' experience in the valuation of properties in the PRC.

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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.

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 valuation date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to 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 these properties under frequent review.

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

Our summary of values and valuation certificates are 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 28 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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**SUMMARY OF VALUES**

**Abbreviation:**

- Group I: Properties held for investment by the Group in the PRC  
 Group II: Properties held and occupied by the Group in the PRC  
 “—”: Not applicable

Nos.	Property	Market value in	Market value in	The total market
		existing state as at	existing state as at	value in existing
		31 July 2022	31 July 2022	state as at
		<i>RMB</i>	<i>RMB</i>	31 July 2022
		Group I:	Group II:	
1.	Building No. 41 No. 258 Xinzhuan Road Caohejing Hi-Tech Park Xinqiao Town Songjiang District Shanghai The PRC (上海•漕河涇新興產業園)	47,300,000	48,400,000	95,700,000
2.	Unit 701 and 702 of Building No. 2 No. 518 Xinzhuan Road Caohejing Development Zone Xinqiao Town Songjiang District Shanghai The PRC (上海•漕河涇開發區)	—	13,100,000	13,100,000
	<b>Total</b>			<b>108,800,000</b>

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**VALUATION CERTIFICATE**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022 RMB
1.	Building No. 41, No. 258 Xinzhuan Road Caohejing Hi-Tech Park Xinqiao Town Songjiang District Shanghai The PRC (上海·漕河涇新興產業園)	<p>Caohejing Hi-Tech Park (the “Project”) is located at No. 258 Xinzhuan Road. The locality is a well-developed industrial area served by adequate facilities with mature public infrastructures.</p> <p>Caohejing Hi-Tech Park occupies a parcel of land with a site area of approximately 97,847.6 sq.m. (including the land use rights of the property) which had been developed into a business park. The property comprises a 5-storey industrial building completed in 2013 and was partially held for investment and partially held and occupied by the Group as at the valuation date.</p> <p>The property has a gross floor area of approximately 9,048.65 sq.m. which is an industrial building for production, laboratory and office uses.</p> <p>The land use rights of the property have been granted for a term expiring on 30 May 2060 for industrial use.</p>	<p>As at the valuation date, except for Unit 302 of the property with a gross floor area of approximately 950.05 sq.m. which was rented to a connected party for production, laboratory and office uses, and Level 1, Level 5 and Unit 401 of the property were occupied by the Group for production, laboratory and office purposes, the remaining portions of the property were vacant.</p>	95,700,000

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*Notes:*

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Song Zi (2014) Di No. 021308, the property with a gross floor area of approximately 9,048.65 sq.m is owned by Shanghai Shape Memory Alloy Co., Ltd.\* (上海形状记忆合金材料有限公司, “Shanghai Shape Memory Alloy,” a wholly-owned subsidiary of the Company) and the corresponding land use rights have been granted to Shanghai Shape Memory Alloy for a term expiring on 30 May 2060 for industrial use.

2. According to the Real Estate Title Certificate, the gross floor area of the property is set out as below:

<u>Group</u>	<u>Unit</u>	<u>Usage</u>	<u>Gross Floor Area</u>
			<i>(sq.m.)</i>
Group I — Properties held for investment by the Group			
	201	Factory	872.11
	202	Factory	950.05
	301	Factory	872.11
	302	Factory	950.05
	401	Factory	872.11
		<b>Sub-total</b>	<b>4,516.43</b>
Group II — Properties held and occupied by the Group			
	101	Factory	863.32
	102	Factory	896.69
	402	Factory	950.05
	501	Factory	872.11
	502	Factory	950.05
		<b>Sub-total</b>	<b>4,532.22</b>
		<b>Total</b>	<b>9,048.65</b>

3. As at the valuation date, pursuant to a Tenancy Agreement entered into between Shanghai Shape Memory Alloy and a connected party, Unit 302 of the property with a gross floor area of approximately 950.05 sq.m. was leased out for production, laboratory and office purposes with the expiry date on 31 July 2024. The annual passing rental as at the valuation date was RMB532,000 exclusive of management fees, water and electricity charges.
4. For the purpose of this report, Level 2, Unit 301 and Unit 401 of the property are classified into the group as “Group I — Properties held for investment in the PRC” according to the purpose for which it is held.
5. Our valuation has been made on the following basis and analysis:
  - a. In undertaking our valuation, we have considered the actual rents in the existing tenancy agreement and also compared with similar developments which are located in the similar areas as the industrial buildings of the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area, and the rental income of vacant area;
  - b. The unit rent of these comparable industrial units on the first floor range from RMB1.8 to RMB2.0 per sq.m. per day; and
  - c. Based on our research on industrial market in the surrounding area of the property, the stabilized market yield ranged from 4% to 5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.75% for the property as the capitalization rate in the valuation.

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6. We have been provided with a legal opinion regarding the property interests by the Company’s PRC legal advisors, which contains, inter alia, the following:

Shanghai Shape Memory Alloy is legally and validly in possession of the property. Shanghai Shape Memory Alloy has the rights to occupy, use, lease, transfer or otherwise dispose of the property.

7. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

<b>Group</b>	<b>Market value in existing state as at the valuation date</b>
	<i>(RMB)</i>
Group I — Properties held for investment by the Group	47,300,000
Group II — Properties held and occupied by the Group	48,400,000
<b>Total:</b>	<b>95,700,000</b>

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**VALUATION CERTIFICATE**

<b>No.</b>	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 July 2022</b> <i>RMB</i>
2.	Unit 701 and 702 of Building No. 2, No. 518 Xinzhuan Road Caohejing Development Zone Xinqiao Town Songjiang District Shanghai The PRC (上海漕河泾開發區)	<p>Caohejing Hi-Tech Park (the "Project") is located at No. 518 Xinzhuan Road. The locality is a well-developed industrial area served by adequate facilities with mature public infrastructures.</p> <p>Caohejing Development Zone occupies a parcel of land with a site area of approximately 56,127 sq.m. (including the land use rights of the property) which had been developed into a business park. The property comprises two units on Level 7 of an 8-storey industrial building completed in 2009 and was held and occupied by the Group as at the valuation date.</p> <p>The property has a gross floor area of approximately 1,247.54 sq.m. which are industrial units for production, laboratory and office uses.</p> <p>The land use rights of the property have been granted for a term expiring on 2 November 2056 for industrial use.</p>	As at the valuation date, the property was vacant.	13,100,000



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*Notes:*

1. Pursuant to a Real Estate Title Certificate — Hu Fang Di Song Zi (2010) Di No. 005662, the property with a gross floor area of approximately 1,247.54 sq.m is owned by Shanghai Shape Memory Alloy and the corresponding land use rights have been granted to Shanghai Shape Memory Alloy for a term expiring on 2 November 2056 for industrial use.
2. According to the Real Estate Title Certificate, the gross floor area of the property is set out as below:

<u>Group</u>	<u>Unit</u>	<u>Usage</u>	<u>Gross Floor Area</u> (sq.m.)
Group II — Properties held and occupied by the Group	701	Factory	531.00
	702	Factory	<u>716.54</u>
		<b>Total</b>	<u><u>1,247.54</u></u>

3. Our valuation has been made on the following basis and analysis:
  - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the industrial buildings of the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area, and the rental income of vacant area;
  - b. The unit rent of these comparable industrial units on the first floor range from RMB1.8 to RMB2.0 per sq.m. per day; and
  - c. Based on our research on industrial market in the surrounding area of the property, the stabilized market yield ranged from 4% to 5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.75% for the property as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interests by the Company’s PRC legal advisors, which contains, inter alia, the following:

Shanghai Shape Memory Alloy is legally and validly in possession of the property. Shanghai Shape Memory Alloy has the rights to occupy, use, lease, transfer or otherwise dispose of the property.
5. For the purpose of this report, the property is classified into the group as “Group II — Properties held and occupied by the Group in the PRC” according to the purpose for which it is held.