

APPENDIX III

PROPERTY VALUATION REPORT

The following is the text of a letter, a summary of values and valuation report prepared for the purpose of incorporation in this document received from Savills Valuation and Professional Services (China) Limited, an independent valuer, in connection with their opinion of values of the properties held by the Group as at February 28, 2023.

The Directors
Beijing Luzhu Biotechnology Co., Ltd.
No. 3 Guangtong Street
Zhangjiawan
Tongzhou District
Beijing
PRC



Savills Valuation and
Professional Services (China) Limited
1208, 12/F
1111 King's Road, Taikoo Shing
Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

savills.com

[REDACTED]

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the “PRC”) in which Beijing Luzhu Biotechnology Co., Ltd. (the “Company”) and/or its subsidiaries (hereinafter together referred to as the “Group”) have interests, 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 market values of the properties as at February 28, 2023 (the “valuation date”) for incorporation in a public [REDACTED] document.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “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”.

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale and purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

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IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by our Mr. Anthony C.K. Lau. Mr. Lau is a Director of Savills Valuation and Professional Services (China) Limited ("SVPSCL") and a Member of the HKIS (General Practice Division) with over 29 years' experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the properties, SVPSCL had not been involved in valuation of the properties in the past 12 months.

We are independent of the Company and its subsidiaries. We are not aware of any instances which would give rise to potential conflict of interest from SVPSCL or Mr. Lau in the subject exercise. We confirm SVPSCL and Mr. Lau are in the position to provide objective and unbiased valuation for the properties.

PROPERTY CATEGORISATION AND VALUATION METHODOLOGY

In valuing Property No. 1, which is held by the Group under development in the PRC, we have valued this property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the Direct Comparison Method by making reference to comparable sales transactions as available in the market and also taken into account the cost that will be incurred to complete the development to reflect the quality of the completed development.

In valuing Property No. 2, which is held by the Group for future development in the PRC, we have valued this property by the Direct Comparison Method by making reference to sales of comparable properties as available in the market.

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the legal opinion issued by the Group's legal adviser, Commerce & Finance Law Offices, regarding the title to the properties.

SOURCE OF INFORMATION

We have relied to a considerable extent on information given by the Group and have accepted information on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, completion date, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We are also advised by the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

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VALUATION ASSUMPTIONS

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for their specific terms at nominal annual land use fee have been granted and that any land grant premium payable have already been fully paid. Unless otherwise stated, we have also assumed that the Group has a good legal title to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses 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.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the properties. Site inspections of the properties were carried out by our Ms. Nico Yao in February 2023. Ms. Yao has over 8 years’ experience in valuation of properties in the PRC. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation or any other structural defect. No test has been carried out to any of the services.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

We enclose herewith our summary of values and valuation report.

Yours faithfully,

For and on behalf of

Savills Valuation and Professional Services (China) Limited

Anthony C.K. Lau

MRICS MHKIS RPS (GP)

Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 29 years’ experience in valuation of properties in the PRC.

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SUMMARY OF VALUES

<u>No.</u>	<u>Property</u>	<u>Market value in existing state as at February 28, 2023</u>	<u>Interest attributable to the Group</u>	<u>Market value in existing state attributable to the Group as at February 28, 2023</u>
Group I — Property held by the Group under development in the PRC				
1.	Dingjiawan Project I (定家灣項目一期), Xiangtian Road East and Anwan Road South, Sanzao Town, Jinwan District, Zhuhai, Guangdong Province, PRC	189,000,000	100%	189,000,000
	Sub-total:	<u>189,000,000</u>		<u>189,000,000</u>
Group II — Property held by the Group for future development in the PRC				
2.	Dingjiawan Project II (定家灣項目二期), Xiangtian Road East and Anwan Road South, Sanzao Town, Jinwan District, Zhuhai, Guangdong Province, PRC	7,800,000	100%	7,800,000
	Sub-total:	<u>7,800,000</u>		<u>7,800,000</u>
	Total:	<u>196,800,000</u>		<u>196,800,000</u>

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GROUP I — PROPERTY HELD BY THE GROUP UNDER DEVELOPMENT IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at February 28, 2023
1.	Dingjiawan Project I (定家灣項目一期), Xiangtian Road East and Anwan Road South, Sanzao Town, Jinwan District, Zhuhai, Guangdong Province, PRC	<p>Dingjiawan Project (the “Development”) is an industrial development being erected on a parcel of land with a site area of 69,366.15 sq.m.</p> <p>The Development is located in Sanzao Town of Jinwan District in Zhuhai. The immediate locality is an industrial area with some low-rise buildings scattering along the main roads of the district. It takes approximately a 40-minutes’ drive from the property to the city centre of Zhuhai.</p> <p>According to the information provided by the Group, the property will have a total gross floor area of approximately 71,560.00 sq.m. upon completion. Details of the uses and approximate gross floor areas of the property are as follows:</p>	As at the valuation date, the property was under construction.	<p>RMB189,000,000 (Renminbi One Hundred and Eighty Nine Million)</p> <p>(100% interest attributable to the Group: RMB189,000,000 (Renminbi One Hundred and Eighty Nine Million))</p>

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at February 28, 2023
		Use	Approximate Gross Floor Area (sq.m.)	
		Production Plant (Building No. 1)	23,780.00	
		Production Plant (Building No. 2)	15,000.00	
		Production Plant (Building No. 3)	15,000.00	
		Production Plant (Building No. 4)	15,000.00	
		Integrated Power Centre (Building No. 7)	2,410.00	
		Animal Experiment Room (Building No. 8)	200.00	
		Garbage Station (Building No. 9)	100.00	
		Guard Room No. 1	40.00	
		Guard Room No. 2	30.00	
		Total:	<u>71,560.00</u>	

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at February 28, 2023
		As advised by the Group, the construction of the property was commenced in April 2022 and is scheduled for completion in April 2023.		
		The land use rights of the property have been granted for a term expiring on January 14, 2071 for industrial use.		

Notes:

1. Pursuant to the State-owned Land Grant Contract – No. 440404-2021-000001 dated January 6, 2021, the land use rights of a parcel of land of the property with a site area of 69,366.15 sq.m. have been granted to Luzhu Biopharmaceuticals (Zhuhai) Co., Ltd. (綠竹生物製藥(珠海市)有限公司) (“Zhuhai Luzhu”), a wholly-owned subsidiary of the Company, for a term of 50 years for industrial use at a land grant fee of RMB25,596,110.

As advised by the Group, the property only comprises portion of the land parcel as stated in the contract mentioned above.
2. Pursuant to the State-owned Land Use Certificate – Yue (2021) Zhu Hai Shi Bu Dong Chan Quan No. 0035989 dated April 15, 2021, the land use rights of the property with a site area of 69,366.15 sq.m. have been granted to Zhuhai Luzhu for a term expiring on 14 January 2071 for industrial use.

As advised by the Group, the property only comprises portion of the land parcel as stated in the certificate mentioned above.
3. Pursuant to the Construction Land Planning Permit – Di Zi No. 440404202100005 dated January 18, 2021, Zhuhai Luzhu was permitted to use a parcel of land with a site area of 69,366.15 sq.m. for industrial use.

As advised by the Group, the property only comprises portion of the land parcel as stated in the permit mentioned above.
4. Pursuant to the Construction Work Planning Permit – Jian Zi No. (Jin Wan) 2021-093 dated August 30, 2021, the approved construction scale of the property is 71,560.00 sq.m.
5. Pursuant to the Construction Work Commencement Permit – No. 440404202204110199 dated April 11, 2022, the construction work of the property with a construction scale of 71,560.00 sq.m. was approved for commencement.
6. As advised by the Group, the total construction cost incurred as at the valuation date was approximately RMB151,000,000 and the estimated outstanding construction cost for completion of the property will be approximately RMB54,000,000. We have taken into account the aforesaid amounts in our valuation.
7. The market value of the property as if completed as at the valuation date is estimated to be RMB276,000,000.
8. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
 - i. Zhuhai Luzhu legally owns the property and is entitled to transfer, lease, mortgage or by other legal means dispose of the property.
9. In undertaking our valuation of the property as if completed, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit rates of these comparables are in a range from RMB3,200 to 5,500/sq.m. for industrial units. Due adjustments to the unit rates of these comparables have been made to reflect factors including but not limited to location, size, building age and building quality in arriving at the key assumptions.

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GROUP II — PROPERTY HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at February 28, 2023
2.	Dingjiawan Project II (定家灣項目二期), Xiangtian Road East and Anwan Road South, Sanzao Town, Jinwan District, Zhuhai, Guangdong Province, PRC	<p>Dingjiawan Project (the “Development”) is an industrial development being erected on a parcel of land with a site area of 69,366.15 sq.m.</p> <p>The Development is located in Sanzao Town of Jinwan District in Zhuhai. The immediate locality is an industrial area with some low-rise buildings scattering along the main roads of the district. It takes approximately a 40-minutes’ drive from the property to the city centre of Zhuhai.</p> <p>According to the information provided by the Group, the property will have a total gross floor area of approximately 54,090.00 sq.m. upon completion.</p> <p>The land use rights of the property have been granted for a term expiring on January 14, 2071 for industrial use.</p>	As at the valuation date, the property was vacant land.	<p>RMB7,800,000 (Renminbi Seven Million and Eight Hundred Thousand)</p> <p>(100% interest attributable to the Group: RMB7,800,000 (Renminbi Seven Million and Eight Hundred Thousand))</p>

Notes:

1. Pursuant to the State-owned Land Grant Contract – No. 440404-2021-000001 dated January 6, 2021, the land use rights of a parcel of land of the property with a site area of 69,366.15 sq.m. have been granted to Luzhu Biopharmaceuticals (Zhuhai) Co., Ltd. (綠竹生物製藥(珠海市)有限公司) (“Zhuhai Luzhu”), a wholly-owned subsidiary of the Company, for a term of 50 years for industrial use at a land grant fee of RMB25,596,110.

As advised by the Group, the property only comprises portion of the land parcel as stated in the contract mentioned above.

2. Pursuant to the State-owned Land Use Certificate – Yue (2021) Zhu Hai Shi Bu Dong Chan Quan No. 0035989 dated April 15, 2021, the land use rights of the property with a site area of 69,366.15 sq.m. have been granted to Zhuhai Luzhu for a term expiring on January 14, 2071 for industrial use.

As advised by the Group, the property only comprises portion of the land parcel as stated in the certificate mentioned above.

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3. Pursuant to the Construction Land Planning Permit – Di Zi No. 440404202100005 dated January 18, 2021, Zhuhai Luzhu was permitted to use a parcel of land with a site area of 69,366.15 sq.m. for industrial use.

As advised by the Group, the property only comprises portion of the land parcel as stated in the permit mentioned above.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

i. Zhuhai Luzhu legally owns the property and is entitled to transfer, lease, mortgage or by other legal means dispose of the property.

5. In undertaking our valuation of the property, we have made reference to various industrial land sales transactions which have characteristics comparable to the property. The accommodation values of the comparables are in the range from RMB168 to RMB170/sq.m. Due adjustments to the accommodation values of these transactions have been made to reflect factors including but not limited to land use term, accessibility, surrounding environment and location in arriving at key assumptions.