

APPENDIX VI

PROPERTY VALUATION REPORT

The following is the full text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with the valuation of the properties held by the Group as at 31 March 2023. Unless otherwise defined, terms used in this Appendix shall have the same meanings as those set out in this document.



27/F
One Island East,
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

[●] 2023

The Directors
Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
No. 666 Xinhua Avenue
Chengdu Cross-Strait Science and Technology Industry
Development Park
Wenjiang District, Chengdu
Sichuan Province
The People’s Republic of China

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties held by Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) (as more particularly described in the valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 31 March 2023 (the “Valuation Date”).

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (“HKIS”) 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”.

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VALUATION BASIS AND ASSUMPTIONS

We confirm that our valuations comply with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and the HKIS Valuation Standards 2020 issued by the HKIS.

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its PRC legal adviser, King & Wood Mallesons, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties 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.

METHOD OF VALUATION

In valuing the properties which are held by the Group under development in the PRC, we have valued the properties on the basis that they will be developed and completed in accordance with the Group’s latest development proposals provided to us (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the Depreciated Replacement Cost (“DRC”) Method to assess the “Market Value when completed” and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

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We have used the DRC Method to assess the completed value due to the special nature of buildings since there is no readily identifiable market sale comparable and the buildings valued by comparable market transactions. The DRC Method requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC Method generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable sales. In arriving at our opinion of the market value of the land, we have valued the properties by Market Comparison Method by making reference to the comparable sale evidence in the relevant locality. The DRC is subject to adequate potential profitability of the business.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, total construction cost and expended construction cost as at Valuation Date, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group and its PRC legal adviser regarding the Group's interests in the PRC properties.

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SITE INSPECTION

Our valuer, Ms. Shona Yue with 6 years of property valuation experience, has inspected the exterior and, whenever possible, the interior of the properties in January 2022. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi ("RMB"), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuations competently.

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SUMMARY OF VALUATIONS

Properties held by the Group under development in the PRC

Property	Market value in existing state as at 31 March 2023 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2023 (RMB)
<p>1. Industrial complex under construction at Tianfujiayuan Community, Wenjiang District, Chengdu City, Sichuan Province, the PRC.</p> <p>中國四川省成都市 溫江區天府家園社區 工業廠房的在建工程</p>	271,300,000	100	271,300,000
<p>2. Industrial complex under construction at Groups 6, 7, 8 and 15 of Qingtai Community and Group 4 of Xinba Village, Tianfu Street Office, Wenjiang District, Chengdu City, Sichuan Province, the PRC.</p> <p>中國四川省成都市 溫江區天府街辦青泰社區6、 7、8、15組,新壩村4組 工業廠房的在建工程</p>	120,400,000	100	120,400,000
Total:	391,700,000		391,700,000

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Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2023																																
1. Industrial complex under construction at Tianfujiayuan Community, Wenjiang District, Chengdu City, Sichuan Province, the PRC.	<p>The property comprises nine under-construction buildings in an industrial complex which is developed on a parcel of industrial land with a site area of approximately 63,943.94 sq.m.</p> <p>The property is scheduled to be completed in 2023.</p>	As at the Valuation Date, the property was under development.	RMB271,300,000																																
中國四川省成都市溫江區天府家園社區工業廠房的在建工程	<p>Upon completion, the property comprises a 4-storey ADC Building, a 4-storey building, four 2-storey warehouses and three 1-storey warehouses with a total gross floor area of approximately 39,079.62 sq.m. with details as follows:</p> <table border="1" data-bbox="542 974 941 1464"> <thead> <tr> <th>Building</th> <th>No. of storey</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>ADC Building</td> <td>4-storey</td> <td>24,843.46</td> </tr> <tr> <td>Building</td> <td>4-storey</td> <td>9,526.00</td> </tr> <tr> <td>Warehouse</td> <td>2-storey</td> <td>3,467.00</td> </tr> <tr> <td>Warehouse</td> <td>1-storey</td> <td>468.00</td> </tr> <tr> <td>Warehouse</td> <td>2-storey</td> <td>106.70</td> </tr> <tr> <td>Warehouse</td> <td>2-storey</td> <td>125.46</td> </tr> <tr> <td>Warehouse</td> <td>2-storey</td> <td>413.00</td> </tr> <tr> <td>Warehouse</td> <td>1-storey</td> <td>85.00</td> </tr> <tr> <td>Warehouse</td> <td>1-storey</td> <td>45.00</td> </tr> <tr> <td>Total</td> <td></td> <td><u>39,079.62</u></td> </tr> </tbody> </table>	Building	No. of storey	Gross Floor Area (sq.m.)	ADC Building	4-storey	24,843.46	Building	4-storey	9,526.00	Warehouse	2-storey	3,467.00	Warehouse	1-storey	468.00	Warehouse	2-storey	106.70	Warehouse	2-storey	125.46	Warehouse	2-storey	413.00	Warehouse	1-storey	85.00	Warehouse	1-storey	45.00	Total		<u>39,079.62</u>	<p>(100% interest attributable to the Group: RMB271,300,000)</p>
Building	No. of storey	Gross Floor Area (sq.m.)																																	
ADC Building	4-storey	24,843.46																																	
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Total		<u>39,079.62</u>																																	
	<p>The property is held with land use rights for a term due to expire on 9 March 2067 for industrial use.</p>																																		

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Notes:–

- (1) According to the State-owned Land Use Rights Certificate, the land use rights of the property with a site area of 63,943.94 sq.m. have been vested in 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.) for industrial use with details as follows:

Certificate No.	Date of issue	Land use	Expiry date of land use term	Site area (sq.m.)
(2020) 0052569	17 September 2020	Industrial	9 March 2067	63,943.94

- (2) According to Planning Permit for Construction Land Use No. 510115201920556 dated 25 October 2019, the land of construction use with a site area of 63,943.94 sq.m. is in compliance with the urban planning requirements and has been approved.
- (3) According to Planning Permit for Construction Works No. 510115201930858 dated 28 October 2019, the construction works with a total planned gross floor area of 39,079.62 sq.m. are in compliance with the urban planning requirements and have been approved.
- (4) According to Permit for Commencement of Construction Works No. 510115202005221101 dated 22 May 2020, the construction works with a total planned gross floor area of 39,041.77 sq.m. are in compliance with the requirements for works commencement and have been permitted.
- (5) As advised by the Group, the total expended construction cost for the property as at Valuation Date was approximately RMB228,400,445 whilst the outstanding construction cost for completion of the property as at Valuation Date was approximately RMB38,419,836. We have taken into account such amount in our valuation.
- (6) The market value of the proposed development when completed is estimated approximately at RMB309,700,000.
- (7) According to Business Licence dated 9 April 2021, 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.) was established on 26 November 2016 as a limited company with a registered capital of RMB116,050,609.
- (8) We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal adviser, King & Wood Mallesons, which contains, among other things, the following information:–
- (i) The State-owned Land Use Rights Certificate of the property is legal, valid and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.);
 - (iii) 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and
 - (iv) 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (9) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction of Land Use	Yes
Planning Permit for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business Licence	Yes

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Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2023
2. Industrial complex under construction at Groups 6, 7, 8 and 15 of Qingtai Community and Group 4 of Xinba Village, Tianfu Street Office, Wenjiang District, Chengdu City, Sichuan Province, the PRC. 中國四川省成都市溫江區天府街辦青泰社區6、7、8、15組,新壩村4組工業廠房的在建工程	The property comprises two under construction buildings in an industrial complex which is developed on a parcel of industrial land with a site area of approximately 68,397.83 sq.m. The property is scheduled to be completed in 2023. Upon completion, the property comprises a 4-storey building and a 1-storey warehouse with a total gross floor area of approximately 23,139.89 sq.m. with details as follows:	As at the Valuation Date, the property was under development.	RMB120,400,000 (RENMINBI ONE HUNDRED TWENTY MILLION FOUR HUNDRED THOUSAND) (100% interest attributable to the Group: RMB120,400,000)

Building	No. of storey	Gross Floor Area (sq.m.)
Building	4-storey	23,094.89
Warehouse	1-storey	45.00
Total		<u>23,139.89</u>

The property is held with land use rights for a term due to expire on 4 January 2067 for industrial use.

Notes:-

- (1) According to the State-owned Land Use Rights Certificate, the land use rights of the property with a site area of 68,397.83 sq.m. have been vested in 四川科納斯製藥有限公司 (Sichuan Konas Pharmaceutical Co., Ltd.) for industrial use with details as follows:-

Certificate No.	Date of issue	Land use	Expiry date of land use term	Site area (sq.m.)
(2018) 0030607	30 May 2018	Industrial	4 January 2067	68,397.83

- (2) According to Planning Permit for Construction Land Use No. 510115201720052 dated 4 August 2017, the land of the construction use with a site area of 68,397.83 sq.m. are in compliance with the urban planning requirements and have been approved.
- (3) According to Planning Permit for Construction Works No. 510115201930835 dated 22 October 2019, the construction works with a total planned gross floor area of 23,139.89 sq.m. are in compliance with the urban planning requirements and have been approved.

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- (4) According to Permit for Commencement of Construction Works No. 510115202001151701 dated 10 April 2020, the construction works with a total planned gross floor area of 23,139.89 sq.m. are in compliance with the requirements for works commencement and have been permitted.
- (5) As advised by the Group, the total expended construction cost for the property as at Valuation Date was approximately RMB74,593,140 whilst the outstanding construction cost for completion of the property as at Valuation Date was approximately RMB4,855,458. We have taken into account such amount in our valuation.
- (6) The market value of the proposed development when completed is estimated approximately at RMB125,200,000.
- (7) According to Business Licence dated 20 January 2020, 四川科納斯製藥有限公司 (Sichuan Konas Pharmaceutical Co., Ltd.) was established on 30 September 2016 as a limited company with a registered capital of RMB4,000,000.
- (8) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, King & Wood Mallesons, which contains, among other things, the following information:-
- (i) The State-owned Land Use Rights Certificate of the property is legal, valid and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 四川科納斯製藥有限公司 (Sichuan Konas Pharmaceutical Co., Ltd.);
 - (iii) 四川科納斯製藥有限公司 (Sichuan Konas Pharmaceutical Co., Ltd.) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and
 - (iv) 四川科納斯製藥有限公司 (Sichuan Konas Pharmaceutical Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:-

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction of Land Use	Yes
Planning Permit for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business Licence	Yes