



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7th Floor, One Taikoo Place  
979 King's Road, Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司  
香港英皇道 979 號太古坊一座 7 樓  
電話 +852 2846 5000 傳真 +852 2169 6001  
公司牌照號碼: C-030171

The Board of Directors

**Good Friend International Holdings Inc.**

Room 2003, 20th Floor

Kai Tak Commercial Building

317-319 Des Voeux Road Central

Hong Kong

21 October 2021

Dear Sirs,

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**” or “**we**”) are instructed by Good Friend International Holdings Inc. (the “**Company**”) to provide valuation service on the properties in which the Company and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”) for disclosure purpose. 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 values of the property interests 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 completed buildings of the properties in Group I which are held and occupied by the Group, and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have been valued by the cost approach with reference to their 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 of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interests 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.

In valuing the property in Group II, which is held under development by the Group, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation.

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; Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by Securities and Futures Commission; 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, particulars of occupancy, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans 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 legal opinion dated 11 October 2021 given by the Company's PRC Legal Advisors – King & Wood Mallesons, concerning the validity of the property interests 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.

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 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 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 September 2021 by Joan Zhu who is a China Real Estate Valuer and has more than 10 years' experience in the valuation of properties in the PRC.

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 remains 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 the properties under frequent review.

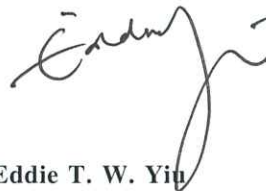
Pursuant to the relevant rules and regulations of tax laws in the PRC, the potential tax liabilities which would arise if the property interests of the Group specified in this report were to be sold mainly include value added tax (5% of the capital gains for properties purchased before 30 April 2016; 9% of the transaction amount for properties purchased after 30 April 2016), land appreciation tax (30% to 60% of appreciated amount), income tax (25% of the capital gains after deducting the potential tax fee in effecting the sales), and stamp duty (0.05% of the transaction amount). As advised by the Company, they have no intention to sell the properties as those properties are mainly occupied for production. Therefore, the possibility of incurrence of such tax liabilities is very remote.

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 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
1.	2 parcels of land and 7 buildings No. 120 Shixin North Road Xiaoshan District Hangzhou City Zhejiang Province The PRC	98,000,000
2.	A parcel of land and 4 buildings No. 6888 Jiangdong 3rd Road Qiantang District Hangzhou City Zhejiang Province The PRC	110,900,000
3.	A parcel of land and 4 buildings No. 268 the 16th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	118,000,000
4.	A parcel of land and 3 buildings No. 431 the 14th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	85,800,000
	<b>Sub-total:</b>	<b>412,700,000</b>

**GROUP II – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP  
IN THE PRC**

<b>No.</b>	<b>Property</b>	<b>Market value in existing state as at the valuation date RMB</b>
5.	2 parcels of land and 2 industrial buildings under construction located at the southwestern side of the junction of Zhiyang Road and Shuanghe No. 1 Street Xinzheng City Zhengzhou City Henan Province The PRC	113,400,000 <sup>(Note)</sup>
	<b>Sub-total:</b>	<b>113,400,000</b>
	<b>Grand total:</b>	<b>526,100,000</b>

*Note:* In the valuation of this property, we have attributed no commercial value to the 2 buildings of the property which are under construction as the relevant construction permits have not been obtained as at the valuation date. However, for reference purpose, we are of the opinion that the replacement cost of these 2 buildings (excluding the land) as at the valuation date would be RMB117,300,000.

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	2 parcels of land and 7 buildings No. 120 Shixin North Road Xiaoshan District Hangzhou City Zhejiang Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 56,909 sq.m. and 7 buildings erected thereon which were completed in various stages between 2001 and 2005.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 39,340.67 sq.m., including 3 single-storey workshops, a 2-storey workshop, a 3-storey workshop, a 3-storey office building and a guardhouse.</p> <p>The land use rights of a parcel of land of the property have been granted for a term expiring in July 2044 and the land use is stated as newly constructed company. The land use rights of the remaining parcel of land of the property are for a term expiring on 7 July 2044 for industrial use and the nature of land use rights is transfer.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	98,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 13 March 1993, the land use rights of a parcel of land with a site area of approximately 80 mu (approximately 53,333.30 sq.m.) were contracted to be granted to Hangzhou Good Friend Machinery Co., Ltd. (the predecessor of Hangzhou Good Friend Precision Machinery Precision Co., Ltd., “**Hangzhou Good Friend**”, a wholly-owned subsidiary of the Company) for a term of 50 years from the land delivery date for establishing a machinery industrial zone. The total land premium was RMB4,640,000. As advised by the Group, the land premium has been fully paid.
2. Pursuant to a State-owned Land Use Rights Certificate – Xiao Tu Kai Fen Guo Yong (1994) Di No. 8, the land use rights of a parcel of land with a site area of approximately 53,507 sq.m. have been granted to Hangzhou Good Friend for a term expiring in July 2044 and the land use is stated as newly constructed company.
3. Pursuant to a State-owned Land Use Rights Certificate – Xiao Tu Kai Fen Guo Yong (2004) Di No. Guo 2, the land use rights of a parcel of land with a site area of approximately 3,402 sq.m. have been transferred to Hangzhou Good Friend for a term expiring on 7 July 2044 for industrial use.
4. Pursuant to 5 Building Ownership Certificates – Xiao Shan Fang Quan Zheng Cheng Xiang Zhen Zi Di No. 1360330 and Hang Fang Quan Zheng Xiao Zi Di Nos. 1381540, 00000586, 00000587 and 1335403, 7 buildings of the property with a total GFA of approximately 39,340.67 sq.m. are owned by Hangzhou Good Friend.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
  - a. the Group is legally in possession of the land use rights mentioned in notes 2 and 3 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during their valid terms and the land use rights are not subject to any encumbrances; and
  - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 4 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	A parcel of land and 4 buildings No. 6888 Jiangdong 3rd Road Qiantang District Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,667 sq.m., and 4 buildings erected thereon which were completed in 2015.</p> <p>The buildings have a total gross floor area ("GFA") of approximately 29,495.82 sq.m., including 2 single-storey workshops, a 7-storey dormitory building and an ancillary building.</p> <p>The land use rights of the property have been granted for a term expiring on 14 September 2056 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	110,900,000

### Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Xiao Kai Guo Yong (2007) Di No. 23, the land use rights of a parcel of land with a site area of approximately 66,667 sq.m. have been granted to Hangzhou Glory Friend Machinery Technology Co., Ltd. ("Hangzhou Glory Friend", a wholly-owned subsidiary of the Company) for a term expiring on 14 September 2056 for industrial use.
2. Pursuant to 4 Building Ownership Certificates – Hang Fang Quan Zheng Dong Zi Di Nos. 15003406, 15003407, 15003408 and 15003409, 4 buildings of the property with a total GFA of approximately 29,495.82 sq.m. are owned by Hangzhou Glory Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
  - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
  - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	A parcel of land and 4 buildings No. 268 the 16th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 70,277 sq.m. and 4 buildings erected thereon which were completed in 2011.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 26,365.32 sq.m., mainly including 2 single-storey workshops, a guardhouse and an ancillary building.</p> <p>The land use rights of the property have been granted for a term expiring on 16 October 2055 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	118,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Jing Guo Yong (2007) Di No. 0032, the land use rights of a parcel of land with a site area of approximately 70,277 sq.m. have been granted to Hangzhou Ever Friend Precision Machinery Co., Ltd. (“**Hangzhou Ever Friend**”, a wholly-owned subsidiary of the Company) for a term expiring on 16 October 2055 for industrial use.
2. Pursuant to 4 Building Ownership Certificates – Hang Fang Quan Zheng Jing Zi Di Nos. 16290676 to 16290679, 4 buildings of the property with a total GFA of approximately 26,365.32 sq.m are owned by Hangzhou Ever Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
  - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
  - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	A parcel of land and 3 buildings No. 431 the 14th Street Hangzhou Economic and Technological Development Area Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 35,323 sq.m. and 3 buildings erected thereon which were completed in various stages between 2006 and 2008.</p> <p>The buildings have a total gross floor area (“GFA”) of approximately 30,447.12 sq.m., mainly including two 3-storey workshops and a 7-storey dormitory building.</p> <p>The land use rights of the property have been granted for a term expiring on 6 December 2054 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	85,800,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Jing Chu Guo Yong (2006) Di No. 013, the land use rights of a parcel of land with a site area of approximately 35,323 sq.m. have been granted to Hangzhou Global Friend Precision Machinery Co., Ltd. (“**Hangzhou Global Friend**”, a wholly-owned subsidiary of the Company) for a term expiring on 6 December 2054 for industrial use.
2. Pursuant to 3 Building Ownership Certificates – Hang Fang Quan Zheng Jing Zi Di Nos. 08014409, 11343488 and 11343489, 3 buildings of the property with a total GFA of approximately 30,447.12 sq.m are owned by Hangzhou Global Friend.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
  - a. the Group is legally in possession of the land use rights mentioned in note 1 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights during its valid term and the land use rights are not subject to any encumbrances; and
  - b. the Group is legally in possession of the building ownership rights of the buildings mentioned in note 2 and the Group is entitled to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings and these buildings are not subject to any encumbrances.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE GROUP  
IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
5.	2 parcels of land and 2 industrial buildings under construction located at the southwestern side of the junction of Zhiyang Road and Shuanghe No. 1 Street Xinzheng City Zhengzhou City Henan Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 271,348.90 sq.m. and 2 industrial buildings erected thereon which were under construction (the “CIP”) as at the valuation date.</p> <p>The CIP will be developed into 2 single-storey industrial buildings. As advised by the Group, the CIP has a total planned gross floor area of approximately 52,148 sq.m. and is scheduled to be completed in December 2021.</p> <p>The total construction cost of the CIP (excluding the land cost) is estimated to be approximately RMB138,000,000, of which approximately RMB66,600,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for terms expiring on 16 December 2066 for industrial use.</p>	As at the valuation date, the property was under construction.	113,400,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 18 September 2016, the land use rights of 2 parcels of land with a total site area of approximately 271,348.90 sq.m. were contracted to be granted to Fair Friend (Henan) Precision Machinery Co., Ltd. (“**Fair Friend Henan**”, a wholly-owned subsidiary of the Company) for the terms of 50 years from the land delivery date for industrial use. The total land premium was RMB82,230,000. As advised by the Group, the land premium has been fully paid.
2. Pursuant to 2 Real Estate Title Certificates (land) – Yu (2017) Zheng Gang Qu Bu Dong Chan Quan Di Nos. 0001512 and 0001513, the land use rights of 2 parcels of land with a total site area of approximately 271,348.90 sq.m. have been granted to Fair Friend Henan for the terms expiring on 16 December 2066 for industrial use.
3. We have not been provided with any construction permits for the CIP of the property.
4. The market value of the property as if completed as at the valuation date is estimated to be approximately RMB257,000,000.
5. Pursuant to a Mortgage Contract of Maximum Amount No. 2018 Nian Zheng Gong Yin Er Qi Lu Wei Di Zi Di No. 001 dated 31 May 2018, the land use rights of the 2 parcels of land with a total site area of approximately 271,348.90 sq.m. under the Real Estate Title Certificates – Yu (2017) Zheng Gang Qu Bu Dong Chan Quan Di Nos. 0001512 and 0001513 are subject to a mortgage in favour of Erqi Branch of Industrial and Commercial Bank of China as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB67,000,000 with security term from 13 April 2018 to 10 July 2023.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors – King & Wood Mallesons, which contains, *inter alia*, the following:
  - a. the Group is legally in possession of the land use rights mentioned in note 2 and the Group is entitled to legally occupy and use the land use rights during their valid terms, the Group is also entitled to transfer, lease, mortgage or otherwise dispose of the land use rights with the written approval from the mortgagee during their valid terms and the Group has to protect the land use rights from any infringement;
  - b. the land use rights of the property are subject to mortgage, apart from that, the land use rights of the property are not subject to other encumbrances; and
  - c. as for the CIP of the property, there is a possibility of being ordered to suspend construction and rectify or dismantle within a time limit imposed by the government authorities due to the lack of construction permits.
7. In the valuation of the property, we have relied on the aforesaid legal opinion and attributed no commercial value to the CIP of the property of which the Group have not obtained the relevant construction permits as at the valuation date. However, for reference purpose, we are of the opinion that the replacement cost of the CIP (excluding the land) as at the valuation date would be RMB117,300,000.