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## APPENDIX III

## PROPERTY VALUATION

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*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this [REDACTED] received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 May 2015 of the properties located in the PRC.*

# BMI APPRAISALS

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30 June 2015

The Directors

### **Zhongzhi Pharmaceutical Holdings Limited**

No. 3 Kang Tai Road South

Torch Development Zone

Zhongshan

Guangdong province

The PRC

Dear Sirs,

### **INSTRUCTIONS**

We refer to the instructions from Zhongzhi Pharmaceutical Holdings Limited (the “Company”) for us to value the properties held by the Company and/or its subsidiaries (together referred to as the “Group”) located in the People’s Republic of China (the “PRC”). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2015 (the “valuation date”).

### **BASIS OF VALUATION**

Our valuations of the concerned properties have been based on the Market Value, which 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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## APPENDIX III

## PROPERTY VALUATION

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### PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of the properties are categorised into the following groups:

- Group I — Properties partly held for owner-occupation and partly held for investment by the Group in the PRC
  
- Group II — Property held for future development by the Group in the PRC

### VALUATION METHODOLOGIES

For Property Nos. 1 and 2, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement”. This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed.

In valuing Property Nos. 3 and 5, we have valued them on market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of all relevant factors. Where appropriate, we have also adopted the Investment Approach by taking into account the current passing rent of the portion being held under existing tenancy and the reversionary potential of the tenancy if it has been or would be let to tenant.

### TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group’s PRC Legal Advisor — King & Wood Mallesons (金杜律師事務所) regarding the title of the properties located in the PRC. All documents have been used for reference only.

### **VALUATION ASSUMPTIONS**

Our valuations have been made on the assumptions that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

### **VALUATION CONSIDERATIONS**

The site inspections were conducted by Mr. Man Lam (MHKIS) in December 2014. We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of their services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, site/floor areas, identifications of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

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

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

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**APPENDIX III**

**PROPERTY VALUATION**

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Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**REMARKS**

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,  
For and on behalf of  
**BMI APPRAISALS LIMITED**  
**Joannau W.F. Chan**  
*BSc., MSc., MRICS, MHKIS, RPS(GP)*  
**Senior Director**

*Note:* Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 22 years' experience in valuations of properties in Hong Kong and over 16 years' experience in valuations of properties in the People's Republic of China.

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**APPENDIX III****PROPERTY VALUATION**

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**SUMMARY OF VALUES****Group I — Properties partly held for owner-occupation and partly held for investment by the Group in the PRC**

<b>No.</b>	<b>Property</b>	<b>Market Value in existing state as at 31 May 2015 RMB</b>
1.	5 land parcels, various buildings and structures located at No. 3 Kangtai Road South, Torch Development Zone, Zhongshan, Guangdong province, The PRC	36,100,000
2.	A land parcel, various buildings and structures located at No. 3 Guangfeng Industrial Avenue, Xi District, Zhongshan, Guangdong province, The PRC	40,500,000
3.	Various shop units located at No. 195 Boyuan Road, Dong District, Zhongshan, Guangdong province, The PRC	14,000,000
4.	Various residential units located at Phase III of Health Station, Torch Development Zone, Zhongshan, Guangdong province, The PRC	No Commercial Value
		<hr/>
	<b>Sub-total:</b>	<b>90,600,000</b>

**APPENDIX III**

**PROPERTY VALUATION**

**Group II — Property held for future development by the Group in the PRC**

<u>No.</u>	<u>Property</u>	<u>Market Value in existing state as at 31 May 2015</u> RMB
5.	2 land parcels located at the junction of Guangji Xi Road and Kangtai Road, Torch Development Zone, Zhongshan, Guangdong province, The PRC	4,200,000
	<b>Sub-total:</b>	<u>4,200,000</u>
	<b>Grand-total:</b>	<u><u>94,800,000</u></u>

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATE**

**Group I — Properties partly held for owner-occupation and partly held for investment by the Group in the PRC**

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 May 2015</u> RMB
1.	5 land parcels, various buildings and structures located at No. 3 Kangtai Road South, Torch Development Zone, Zhongshan, Guangdong province, The PRC	<p>The property comprises 5 land parcels with a total site area of approximately 32,379.4 sq.m. together with 5 buildings and various ancillary structures completed in various stages between 2003 and 2009 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings of the property is approximately 20,971.8 sq.m.</p> <p>The buildings mainly include workshops, warehouses and ancillary offices.</p> <p>The land use rights of the property have been granted for various terms expiring on 21 May 2048 for industrial use.</p>	The property is occupied by the Group for industrial purpose.	36,100,000

*Notes:*

1. Pursuant to five State-owned Land Use Rights Certificates (國有土地使用證), Zhong Fu Guo Yong (2005) Nos. 151028 to 151032 (中府國用(2005)第151028號至151032號), the land use rights of the property with a total site area of 32,379.4 sq.m. have been granted to Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd. (中山市中智藥業集團有限公司) (“Zhongzhi Pharmaceutical”) for various terms expiring on 21 May 2048 for industrial use.
2. Pursuant to five Real Estate Title Certificates (房產所有權證), Yue Fang Di Zheng Zi No. C3466575, No. C4060313 and Nos. C5527112 to C5527114 (粵房地證字第C3466575號, C4060313號及C5527112號至C5527114號), the five buildings of the property with a total GFA of 20,971.8 sq.m. is legally owned by Zhongzhi Pharmaceutical. A portion of the property with a GFA of approximately 7,324.92 sq.m. is leased to Zhongshan Zhongzhi Chinese Medicine Herb in Pieces Co., Ltd. (中山市中智中藥飲片有限公司), a consolidated affiliate of the Company, for a term expiring on 31 August 2017.
3. The opinion of the PRC Legal Advisor to the Group contains, *inter alia*, the following:
  - a. The land use rights and building ownership rights of the property are legally vested in Zhongzhi Pharmaceutical and Zhongzhi Pharmaceutical is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market;
  - b. Pursuant to two Maximum Amount Mortgage Contracts, Nos. 2012 Di Zi 26 and 27, both dated 27 February 2012, the property is subject to a mortgage in favour of China Construction Bank, Zhongshan Branch; and

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**APPENDIX III**

**PROPERTY VALUATION**

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- c. The property is not subject to any seizures, freeze, other kinds of limitations of estate interest, existence of the third party’s interest or non-compliance of the PRC laws regarding the use of the property.
- 4. Zhongzhi Pharmaceutical is a wholly-owned subsidiary of the Company.

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATE**

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 May 2015</u> RMB
2.	A land parcel, various buildings and structures located at No. 3 Guangfeng Industrial Avenue, Xi District, Zhongshan, Guangdong province, The PRC	<p>The property comprises a land parcel with a site area of approximately 32,422.5 sq.m. together with 6 buildings and various ancillary structures completed in 2007 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings of the property is approximately 25,728.31 sq.m.</p> <p>The buildings mainly include workshops, warehouses and ancillary offices.</p> <p>The land use rights of the property have been granted for a term expiring on 19 August 2048 for industrial use.</p>	The property is occupied by the Group for industrial purpose.	40,500,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Zhong Fu Guo Yong (2007) No. 200554 (中府國用(2007)第200554號), the land use rights of the property with a site area of 32,422.5 sq.m. have been granted to Zhongshan Honeson Pharmaceutical Co., Ltd. (中山市恒生藥業有限公司) (“Honeson Pharmaceutical”) for a term expiring on 19 August 2048 for industrial use.
2. Pursuant to a Real Estate Title Certificate (房產所有權證), Yue Fang Di Zheng Zi No. C5290088 (粵房地證字第C5290088號), the six buildings of the property with a total GFA of 25,728.31 sq.m. is legally owned by Honeson Pharmaceutical.
3. The opinion of the PRC Legal Advisor to the Group contains, *inter alia*, the following:
  - a. The land use rights and building ownership rights of the property are legally vested in Honeson Pharmaceutical and Honeson Pharmaceutical is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market;
  - b. Pursuant to a Maximum Amount Mortgage Loan Contract, dated 11 July 2011, the property is subject to a mortgage in favour of Zhongshan City Village Credit Cooperation United Torch Development Zone (中山市農村信用合作聯社火炬開發區信用社); and
  - c. The property is not subject to any seizures, freeze, other kinds of limitations of estate interest, existence of the third party’s interest or non-compliance of the PRC laws regarding the use of the property.
4. Honeson Pharmaceutical is a wholly-owned subsidiary of the Company.

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATE**

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 May 2015</u> RMB
3.	Various shop units located at No. 195 Boyuan Road, Dong District, Zhongshan, Guangdong province, The PRC	The property comprises various shop units on the ground floor of a medium-rise composite building completed in 2000s.  The total gross floor area (“GFA”) of the property is approximately 634.44 sq.m.  The land use rights of the property have been granted for a term expiring on 14 November 2041 for commercial use.	A portion of the property with a GFA of 45 sq.m. is subject a tenancy.  The remaining portion of the property is occupied by the Group for retail purpose.	14,000,000

*Notes:*

1. Pursuant to five State-owned Land Use Rights Certificates (國有土地使用證), Zhong Fu Guo Yong (2004) Nos. 216373, 216375 and 216378 to 216380 (中府國用(2004)第216373號, 216375號及216378號至216380號), the land use rights of the property with a total apportioned site area of 102.78 sq.m. have been granted to Zhongshan Zhongzhi Chain Pharmacies Company Limited (中山市中智大藥房連鎖有限公司) (“Zhongzhi Chain Pharmacies”) for a term expiring on 14 November 2041 for commercial use.
2. Pursuant to five Real Estate Title Certificates (房地產權證), Yue Fang Di Zheng Zi Nos. C2590420 to C2590424 (粵房地證字第C2590420號至C2590424號), the property with a total GFA of 634.44 sq.m. is legally owned by Zhongzhi Chain Pharmacies.
3. Pursuant to a Lease Contract dated in June 2013, a portion of the property with a GFA of 45 sq.m. is leased to an independent third party for a term of 3 years expiring on 14 June 2016, at monthly rents of RMB3,000 for the first year, RMB3,300 for the second year and RMB3,630 for the third year, exclusive of relevant expenses.
4. The opinion of the PRC Legal Advisor to the Group contains, *inter alia*, the following:
  - a. The land use rights and building ownership rights of the property are legally vested in Zhongzhi Chain Pharmacies and Zhongzhi Chain Pharmacies is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market; and
  - b. The property is not subject to any mortgage, seizures, freeze, other kinds of limitations of estate interest, existence of the third party’s interest or non-compliance of the PRC laws regarding the use of the property.
5. Zhongzhi Chain Pharmacies is a wholly-owned subsidiary of the Company.

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**APPENDIX III****PROPERTY VALUATION**

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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 May 2015</b> <b>RMB</b>
4.	Various residential units located at Phase III of Health Station, Torch Development Zone, Zhongshan, Guangdong province, The PRC	The property comprises various residential units of a medium-rise residential building completed in 2000s.  The total gross floor area (“GFA”) of the property is approximately 1,600.022 sq.m.	The property is occupied by the Group for dormitory purpose.	No Commercial Value

*Notes:*

1. Pursuant to four Sale and Purchase Contracts, dated 3 September 2003, 3 May 2004 and 27 May 2004 respectively, the property was contracted to be purchased by Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd. (中山市中智藥業集團有限公司) (“Zhongzhi Pharmaceutical”) at a total consideration of RMB1,502,842.8.
2. For the property with a total GFA of 1,600.022 sq.m., we have not been provided with any title certificates. In the course of our valuation, we have attributed no commercial value to the property as relevant title certificates of the property have not been obtained.
3. The opinion of the PRC Legal Advisor to the Group contains, *inter alia*, the following:  
Zhongzhi Pharmaceutical is entitled to occupy and use the property.
4. Zhongzhi Pharmaceutical is a wholly-owned subsidiary of the Company.

**APPENDIX III**

**PROPERTY VALUATION**

**VALUATION CERTIFICATE**

**Group II — Property held for future development by the Group in the PRC**

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 May 2015</u>
				<b>RMB</b>
5.	2 land parcels located at the junction of Guangji Xi Road and Kangtai Road, Torch Development Zone, Zhongshan, Guangdong province, The PRC	The property comprises 2 land parcels with a total site area of approximately 7,069.9 sq.m.  The land use rights of the property have been granted for terms with the latest one expiring on 29 July 2048 for industrial use.	The property is vacant.	4,200,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Transfer Contract (國有土地使用權轉讓合同書), dated 8 May 2005, the land use rights of the property were contracted to be granted to Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd. (中山市中智藥業集團有限公司) (“Zhongzhi Pharmaceutical”) at a land premium of RMB1,696,000 for industrial and ancillary uses.
2. Pursuant to two State-owned Land Use Rights Certificates (國有土地使用證), Zhong Fu Guo Yong (2005) Nos. 150633 and 150595 (中府國用(2005)第150633號及150595號), the land use rights of the property with a total site area of 7,069.9 sq.m. have been granted to Zhongzhi Pharmaceutical for terms with the latest one expiring on 29 July 2048 for industrial use.
3. The opinion of the PRC Legal Advisor to the Group contains, *inter alia*, the following:
  - a. The land use rights of the property are legally vested in Zhongzhi Pharmaceutical and Zhongzhi Pharmaceutical is entitled to occupy, use, transfer, lease, mortgage and dispose of the property freely in the market;
  - b. Pursuant to two Maximum Amount Mortgage Contracts, Nos. 2012 Di Zi 26 and 27, both dated 27 February 2012, the land use rights of the property is subject to a mortgage in favour of China Construction Bank, Zhongshan Branch; and
  - c. The property is not subject to any seizures, freeze, other kinds of limitations of estate interest, existence of the third party’s interest or non-compliance of the PRC laws regarding the use of the property.
4. Zhongzhi Pharmaceutical is a wholly-owned subsidiary of the Company.