

The Board of Directors

Kwan On Holdings Limited
Unit No. 2801, 28/F,
No. 118 Connaught Road West,
Sai Ying Pun,
Hong Kong

30 September 2020

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Values of the property interests located in the Republic of the Philippines (the “Philippines”) and Hong Kong held by Kwan On Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 August 2020 (the “Valuation Date”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. 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”.

VALUATION ASSUMPTIONS

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 allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests located in the Philippines are held under fee simple interests, we have assumed that the owner has free and uninterrupted rights to use the property interests located in the Philippines. While the property interests located in Hong Kong are held under long term leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the property interests located in Hong Kong for the whole of the unexpired term of the leasehold interests.

POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

- (a) For the property interests located in the Philippines:
- (i) Value-added tax on the consideration at a rate of 12%;
 - (ii) Corporate income tax on the profit from the sale of property at a rate of 30%;
 - (iii) Business tax on the gross sales or receipts of the preceding calendar year from the sale of property at a rate of 1%; and
 - (iv) Capital gains tax on the consideration at a rate of 6%.
- (b) For the property interests located in Hong Kong:

- (i) Ad valorem stamp duty (“AVD”) on consideration or value of the property (whichever is the higher) at tax rates as follows:

Consideration or value of the property (whichever is the higher)	Rate
Up to \$2,000,000	1.50%
\$2,000,001 to \$2,176,470	\$30,000+20% of the excess over \$2,000,000
\$2,176,471 to \$3,000,000	3.00%
\$3,000,001 to \$3,290,330	\$90,000+20% of the excess over \$3,000,000
\$3,290,331 to \$4,000,000	4.50%
\$4,000,001 to \$4,428,580	\$180,000+20% of the excess over \$4,000,000
\$4,428,581 to \$6,000,000	6.00%
\$6,000,001 to \$6,720,000	\$360,000+20% of the excess over \$6,000,000
\$6,720,001 to \$20,000,000	7.50%
\$20,000,001 to \$21,739,130	\$1,500,000+20% of the excess over \$20,000,000
\$21,739,131 and above	8.50%

The buyer, the seller, and any person who uses the instrument will be jointly and severally liable to pay AVD, be it calculated at Scale 1 or Scale 2 rates. In other words, the buyer, the seller and any person who uses the instrument will have the same extent of liability, under the law, to pay for any AVD payable on the chargeable instruments, irrespective of any agreement to the contrary made between them.

- (ii) Profit tax on the profit from the sale of property at tax rates as follows:

Assessable Profit	Rate
Assessable profits up to \$2,000,000	8.25%
Any part of assessable profits over \$2,000,000	16.5%

For the property interests held by the Group in the Philippines and Hong Kong, they are held for development and occupation respectively. Hence, the potential tax liabilities of these property interests are not likely to be crystallized currently.

VALUATION METHODOLOGY

When valuing the property interests, we have adopted Market Approach. In the course of our valuation of the property interests in the Philippines, Market Approach has been adopted to assess the gross development value of the proposed development, which is then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins. Income Approach - Discounted Cashflow Analysis has not been adopted in our valuation of the property interests.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests located in the Philippines and have made enquires and relevant searches at the Hong Kong Land Registry for the property interests located in Hong Kong. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the Philippines legal adviser of the Group, Atty. Jason C. Esperante, regarding the titles of the property interests located in the Philippines. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in the Philippines. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Philippine Peso (“PHP”) and Hong Kong Dollar (“HKD”). The exchange rate adopted in our valuation is approximately PHP1.00 = HKD0.16 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of

Vincorn Consulting and Appraisal Limited



Vincent Cheung

BSc(Hons) MBA FRICS MHKIS RPS(GP)

MCIREA MHKSI MISC MHIAREA

Registered Real Estate Appraiser & Agent PRC

Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in Hong Kong, Macau, Taiwan, Mainland China, the Philippines, South Korea, Canada, Australia and other overseas countries.

VALUATION SUMMARY

Group 1 - Property Interests Held by the Group for Development in the Philippines

No.	Property	Market Value in the Existing State as at 31 August 2020	Interest Attributable to the Group	Market Value in the Existing State as at 31 August 2020 Attributable to the Group
1	550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines	PHPI,210,000,000 (HKD193,600,000)	40%	PHP484,000,000 (HKD77,440,000)
Sub-total:		PHPI,210,000,000 (HKD193,600,000)		PHP484,000,000 (HKD77,440,000)

Group 2 - Property Interests Held by the Group for Occupation in Hong Kong

No.	Property	Market Value in the Existing State as at 31 August 2020	Interest Attributable to the Group	Market Value in the Existing State as at 31 August 2020 Attributable to the Group
2	Unit 1 on 34th Floor, 118 Connaught Road West, Hong Kong	HKD33,000,000	100%	HKD33,000,000
Sub-total:		HKD33,000,000		HKD33,000,000
Total:		HKD226,600,000		HKD110,440,000

VALUATION CERTIFICATES

Group I - Property Interests Held by the Group for Development in the Philippines

No.	Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 August 2020
I	550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines	<p>The property comprises a site, which is planned to be redeveloped into two apartment towers.</p> <p>As per two Transfer Certificates of Title, the property has a total site area of approximately 3,312.00 square metres ("sq.m."). As per the information provided by the Group, the proposed development of the property has a proposed gross floor area ("GFA") of approximately 128,132.00 sq.m.</p> <p>The property is held under fee simple interests.</p>	<p>As per our on-site inspection and the information provided by the Group, the property is currently undergoing pre-development works, and the development is expected to be completed in about 2024.</p>	<p>PHP1,210,000,000 (Philippine Peso One Billion Two Hundred and Ten Million) (HKD193,600,000 (Hong Kong Dollar One Hundred Ninety Three Million and Six Hundred Thousand))</p> <p>40% Interest Attributable to the Group:</p> <p>PHP484,000,000 (Philippine Peso Four Hundred and Eighty Four Million) (HKD77,440,000 (Hong Kong Dollar Seventy Seven Million Four Hundred and Forty Thousand))</p>

Notes:

- The property was inspected by Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC* on 15 July 2019.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCAM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the two Transfer Certificates of Title Nos. 002-2020000813 and 002-2020000814 both dated 21 February 2020 are summarized below:

Item	Details
Lot Number:	<ul style="list-style-type: none"> • Lot I-B of the subdivision plan (LRC) Psd-333479, approved as a non-subdivision project, being a portion of Lot I (LRC) Pcs-4288, LRC Cad. Rec. 31; and • Lot I-C of the subdivision plan (LRC) Psd-333479, approved as a non-subdivision project, being a portion of Lot I (LRC) Pcs-4288; LRC Cad. Rec. No. 318
Interest Held:	Fee Simple
Registered Owner:	Metrocity Properties Group, Inc.
Site Area:	<ul style="list-style-type: none"> • Lot I-B: Approximately 1,440.00 sq.m. • Lot I-C: Approximately 1,872.00 sq.m.

4. Pursuant to a Loan Agreement, dated 10 September 2019 and entered into between Metrocity Properties Group Inc. as the mortgagor and Philippine National Bank as the mortgagee, the property has been subject to mortgage.
5. The general description and market information of the property are summarized below:

Location	: The property is located at 550 Jorge Bocobo Extension, Ermita, Manila, National Capital Region, the Philippines.
Transportation	: Manila Ninoy Aquino International Airport and Paco Railway Station are located approximately 10.3 kilometres and 2.1 kilometres away from the property respectively.
Nature of Surrounding Area	: The area is predominately a residential-cum-commercial area in Ermita.
6. Pursuant to the information provided by the Company, Metrocity Properties Group, Inc. is an indirect non-wholly-owned subsidiary of the Group.
7. We have been provided with a legal opinion regarding the property by Atty. Jason C. Esperante, which contains, inter alia, the following:
According to the Transfer Certificates of Title Nos. 002-2020000813 and 002-2020000814, the registered owner, Metrocity Properties Group, Inc. has obtained the title of the property in accordance with laws, and is the legal holder of the property.
8. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa PHP15,090,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa PHP6,730,000,000 and PHP10,000,000 respectively.
9. In the course of our valuation of gross development value of the property, we have considered and analysed the apartment, retail and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the proposed development of the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from PHP135,000 to PHP160,000 per sq.m. on the basis of saleable area for apartments, from PHP150,000 to PHP195,771 per sq.m. on the basis of saleable area for retail units and from PHP1,000,000 to PHP1,500,000 per space for car parking spaces. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rates of the property are PHP150,000 per sq.m. on the basis of saleable area for apartments, PHP154,000 per sq.m. on the basis of saleable area for retail units on ground floor, PHP70,000 per sq.m. on the basis of saleable area for retail units on upper floors and PHP1,300,000 per space for car parking spaces.

Group 2 - Property Interests Held by the Group for Occupation in Hong Kong

No.	Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 August 2020
2	Unit 1 on 34th Floor, 118 Connaught Road West, Hong Kong (24/5,674 shares of and in the subject lots)	The property comprises an office unit on 34th floor of a 37-storey office building, known as 118 Connaught Road. As per our scale-off measurement on the approved building plan, the property has a saleable area of approximately 1,383.49 square feet ("sq.ft."). As per the Occupation Permit No. H63/94(RU), it was completed in about 1994. The subject lots are held under 17 Government Leases for terms of 999 years commencing from various dates.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group.	HKD33,000,000 (Hong Kong Dollar Thirty Three Million) 100% Interest Attributable to the Group: HKD33,000,000 (Hong Kong Dollar Thirty Three Million)

Notes:

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 24 September 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the land search records of the property dated 22 September 2020 are summarised below:-

Item	Details
Registered Owner:	Alpha Gold Investments Limited By an assignment dated 15 March 2017, registered vide Memorial No. 17032401140047
Major Encumbrances:	<ul style="list-style-type: none"> Deed of Agreement to Assign with Plans dated 18 January 1993, registered vide Memorial No. UB5587473; Deed of Dedication with Plan Re Part dated 16 March 1993, registered vide Memorial No. UB5599135; Licence by the District Lands Officer/Hong Kong West dated 12 March 1993, registered vide Memorial No. UB5706750; Licence by the District Lands Officer/Hong Kong West Re IL 2866 dated 12 March 1993, registered vide Memorial No. UB5706751; Modification Letter dated 28 June 1994, registered vide Memorial No. UB6066643 (Remarks: Re Section A of Marine Lot No. 534); Modification Letter dated 28 June 1994, registered vide Memorial No. UB6066645 (Remarks: Re Inland Lot No. 2866); Permit to Occupy a New Building dated 30 June 1994, registered vide Memorial No. UB6075462 (Remarks: By the Building Authority); Deed of Mutual Covenant and Management Agreement with Plans dated 15 July 1994, registered vide Memorial No. UB6085112; Mortgage in favour of Nanyang Commercial Bank, Limited to secure all moneys in respect of general banking facilities dated 15 March 2017, registered vide Memorial No. 17032401140053; and Second Legal Charge in favour of Nanyang Commercial Bank, Limited for all moneys dated 31 December 2019, registered vide Memorial No. 20011700370090

4. The property is erected on Marine Lot No. 472, Marine Lot No. 473, Marine Lot No. 474, Marine Lot No. 475, Marine Lot No. 527, The Remaining Portion of Marine Lot No. 528, Section A of Marine Lot No. 529, Section A of Marine Lot No. 530, Section A of Marine Lot No. 531, Section A of Marine Lot No. 532, The Remaining Portion of Marine Lot No. 533, Section A of Marine Lot No. 534, The Remaining Portion of Inland Lot No. 2860, The Remaining Portion of Inland Lot No. 2861, The Remaining Portion of Inland Lot No. 2870, The Remaining Portion of Inland Lot No. 2871 and Inland Lot No. 2866, which are held under 17 Government Leases. The salient conditions are summarised below:-

Lot Number	Lease Term	Site Area
Marine Lot No. 472	999 years commencing from 14 September 1895	Approximately 1,552 sq.ft.
Marine Lot No. 473	999 years commencing from 23 May 1895	Approximately 1,467 sq.ft.
Marine Lot No. 474	999 years commencing from 23 May 1895	Approximately 1,460 sq.ft.
Marine Lot No. 475	999 years commencing from 24 July 1895	Approximately 1,430 sq.ft.
Marine Lot No. 527	999 years commencing from 24 July 1895	Approximately 1,722 sq.ft.
Marine Lot No. 528	999 years commencing from 25 June 1897	Approximately 2,521 sq.ft.
Marine Lot No. 529	999 years commencing from 5 October 1889	Approximately 2,500 sq.ft.
Marine Lot No. 530	999 years commencing from 31 March 1898	Approximately 2,490 sq.ft.
Marine Lot No. 531	999 years commencing from 27 July 1898	Approximately 2,426 sq.ft.
Marine Lot No. 532	999 years commencing from 27 July 1898	Approximately 2,546 sq.ft.
Marine Lot No. 533	999 years commencing from 11 June 1895	Approximately 2,568 sq.ft.
Marine Lot No. 534	999 years commencing from 11 June 1895	Approximately 2,727 sq.ft.
Inland Lot No. 2860	999 years commencing from 14 September 1895	Approximately 909 sq.ft.
Inland Lot No. 2861	999 years commencing from 10 March 1896	Approximately 1,049 sq.ft.
Inland Lot No. 2866	999 years commencing from 23 May 1895	Approximately 863 sq.ft.
Inland Lot No. 2870	999 years commencing from 10 March 1896	Approximately 1,047 sq.ft.
Inland Lot No. 2871	999 years commencing from 23 May 1895	Approximately 861 sq.ft.

The major special conditions of the lots mentioned above include non-offensive trade clauses, which are released by two Licences both dated 12 March 1993 and registered vide Memorial Nos. UB5706750 and UB5706751 to permit the trade of business of a Sugar-baker, Oilman, Butcher, Victualler or Tavern-keeper on these lots.

Section A of Marine Lot No. 534 and Inland Lot No. 2866 are subject to two Modification Letters both dated 28 June 1994, registered vide Memorial Nos. UB6066643 and UB6066645 respectively.

5. The property falls within an area zoned "Commercial" under Draft Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/33 exhibited on 9 August 2019.
6. The general description and market information of the property are summarized below:
- Location : The property is located at 118 Connaught Road West, Hong Kong.
- Transportation : Hong Kong International Airport and Sai Ying Pun MTR Station are located approximately 36.2 kilometres and 0.2 kilometres away from the property respectively.
- Nature of Surrounding Area : The area is predominately a residential-cum-commercial area in Sai Ying Pun.
7. Pursuant to the information provided by the Company, Alpha Gold Investments Limited is a direct wholly-owned subsidiary of the Group.
8. In the course of our valuation of the property, we have considered and analysed the office sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from HKD19,852 to HKD32,000 per sq.ft. on the basis of saleable area. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is HKD23,874 per sq.ft. on the basis of saleable area.