



Valuation Report

prepared for

Kwan On Holdings Limited

Valuation of Two Parcels of Land Situated at
Padre Faura St., Brgy. 669 Zone 072,
Ermita District, Manila, The Philippines

Vincorn Consulting and Appraisal Limited
Units 1602-4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong



The Board of Directors

Kwan On Holdings Limited
Unit No. 3401, 34/F,
No. 118 Connaught Road West,
Sai Ying Pun,
Hong Kong

2 February 2024

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in the Republic of the Philippines (the “Philippines”) 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 Value of the property interests as at 15 December 2023 (the “Valuation Date”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2022; 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.

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 value 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 are held under fee simple interests, we have assumed that the owner has free and uninterrupted rights to use the property interests.

VALUATION METHODOLOGY

There are three generally accepted approaches to value property interests, namely Market Approach, Income Approach and Cost Approach.

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.

When valuing the property interests to be disposed of by the Group, we have adopted Market Approach, but not Income Approach - Discounted Cashflow Analysis nor Cost Approach, to assess the gross development value of the proposed development as there are sufficient comparables located in the vicinity. It is then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. 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, Tiongco Siao Bello & Associates, 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 and the valuation certificate 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 and the valuation certificate.

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 property, 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 property was 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 property. 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 property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property 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 property 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 HKD1.0 = PHP7.1 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited



Vincent Cheung
BSc(Hons) MBA FHKIS FRICS RPS(GP)
MCIREA MHKSI MISC MHIREA FHKIoD
RICS Registered Valuer
Registered Real Estate Appraiser & Agent PRC
Managing Director

Note:

Vincent Cheung is a fellow of the Hong Kong Institute of Surveyors, a fellow of the Royal Institution of Chartered 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, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors 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 26 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Property Interests to be Disposed of by the Group for Development in the Philippines

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 15 December 2023
Two parcels of land situated at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, the Philippines	<p>The property comprises two adjoining land parcels, which is erected with a hotel offering 145 rooms and a carparking lot. The property is planned to be redeveloped into two apartment towers erected atop a retail and carparking podium.</p> <p>As per two Transfer Certificates of Title, the property has a total site area of approximately 3,312 square metres (“sq.m.”). As per Tax Declaration of Real Property, the existing building has a floor area of 4,668.2 sq.m. As per information provided by the Group, the proposed redevelopment upon completion will have a gross floor area (“GFA”) of approximately 128,132 sq.m. and a saleable area of approximately 104,294 sq.m.</p> <p>The property is held under fee simple interests.</p>	As per our on-site inspection and information provided by the Group, the property is currently undergoing pre-redevelopment works, and the redevelopment is expected to be completed in about 2027.	<p>PHPI,030,000,000 (Philippine Peso One Billion and Thirty Million) (HKD145,070,423 (Hong Kong Dollars One Hundred Forty Five Million Seventy Thousand Four Hundred and Twenty Three))</p> <p>40% Interest Attributable to the Group Before Disposal:</p> <p>PHP412,000,000 (Philippine Peso Four Hundred and Twelve Million) (HKD58,028,169 (Hong Kong Dollars Fifty Eight Million Twenty Eight Thousand One Hundred and Sixty Nine))</p>

Notes:

1. The property was inspected by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA* on 10 January 2024.
2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FHKIS FRICS RPS(GP) MCIREA MHKSI MISCM MHIREA FHKIoD RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC*, Kit Cheung *BSc(Hons) MHKIS MRICS RPS(GP) MCIREA MHIREA RICS Registered Valuer Registered Real Estate Appraiser PRC* and Iverson Chan *BSc(Hons) MHKIS MRICS RPS(GP) RICS Registered Valuer CAIA*.
3. Pursuant to the Memorandum of Agreement dated 23 September 2019 and entered into between CBS Properties & Management Corporation as the seller and Metrocity Properties Group, Inc. as the buyer, the property was acquired subject to a consideration of PHP662,400,000, exclusive of the 12% value-added tax.

4. 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 sq.m. • Lot I-C: Approximately 1,872 sq.m.

5. As per development scheme provided by the Group, the property is planned to be redeveloped into two 55-storey apartment towers accommodating over 2,000 residential units, with a shopping mall and over 400 car parking spaces. The Group has not yet obtained all necessary licenses and permits for the development project as at the Valuation Date.
6. The general description and market information of the property are summarized below:
- | | |
|----------------------------|--|
| Location | : The property is located at Padre Faura St., Brgy. 669 Zone 072, Ermita District, Manila, 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 District. |
7. Pursuant to the information provided by the Group, Metrocity Properties Group, Inc. is an indirect non-wholly-owned subsidiary of the Group.
8. We have been provided with a legal opinion regarding the property by Tiongco Siao Bello & Associates, which contains, inter alia, the following:
- (a) 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 law, and is the legal holder of the property;
 - (b) 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 a mortgage;
 - (c) Subject to the mortgage with Philippine National Bank, the registered owner of the property, Metrocity Properties Group, Inc., can occupy, use, let, transfer, mortgage or by other means handle the relevant freehold interest over the property; and
 - (d) The property is not subject to any dispute or seizure.

9. In the course of our valuation of gross development value of the property, we have considered and analysed apartment, retail and car parking space sale comparables.

The apartment sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and building age. A total of five apartment sale comparables located in Ermita District and with a building age of not greater than 15 years have been identified and analysed. The unit rates of the adopted apartment sale comparables range from PHP129,000 to PHP161,455 per sq.m. on the basis of saleable area. The following table shows the details of apartment sale comparables with the adopted adjustments:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Development	Mayfair Tower	Robinsons Place Residence	One Adriatico Place	Torre de Manila	Suntrust Solana
District	Ermita	Ermita	Ermita	Ermita	Ermita
City	Manila	Manila	Manila	Manila	Manila
Year of Completion	2011	2012	2010	2017	2017
Property Type	Apartment	Apartment	Apartment	Apartment	Apartment
Unit Size (sq.m.)	58 - 118	25 - 125	40 - 121	30 - 80	39 - 56
View	Sea View	City View	Sea View	City View	River View
Nature	Offer	Offer	Offer	Offer	Offer
Achievable Unit Rate (PHP/sq.m.)	129,000	138,000	143,000	161,455	140,665
Adjustment					
Discount on Offer Price	Nil	Nil	Nil	-3.0%	-3.0%
Location	Nil	Nil	Nil	Nil	Nil
Building Age	+6.0%	+5.5%	+6.5%	+3.0%	+3.0%
View	-5.0%	Nil	-5.0%	Nil	-3.0%
Adjusted Unit Rate (PHP/sq.m.)	129,903	145,590	144,680	161,309	136,322

Adjustments in terms of different aspects, including discount on offer price, location, building age and view, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted apartment sale comparables range from PHP129,903 to PHP161,309 per sq.m. on the basis of saleable area. The adopted unit rate of the typical apartments of the property is PHP143,600 per sq.m. on the basis of saleable area. Further adjustments of +7.0% in terms of furnishing standard and property management have been made and the adopted unit rate for executive apartments of the property is PHP153,700 per sq.m. on the basis of saleable area.

The retail sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and floor level. A total of three retail sale comparables located in Metro Manila and situated on Ground Floor have been identified and analysed. The unit rates of the adopted retail sale comparables range PHP137,339 to PHP170,370 on the basis of saleable area. The following table shows the details of retail sale comparables with the adopted adjustments:

		Comparable 1	Comparable 2	Comparable 3
Street		Eisenhower	Jorge Bocobo Street	J. P. Laurel Street
District		San Juan	Ermita	Taguig
City		Manila	Manila	Manila
Property Type		Retail	Retail	Retail
Unit Size (sq.m.)		233	26.5	270
Nature		Offer	Offer	Offer
Achievable Price (PHP)		32,000,000	4,000,000	46,000,000
Achievable Unit Rate (PHP/sq.m.)		137,339	150,943	170,370
Adjustment				
Discount on Offer Price		-3.0%	-3.0%	-3.0%
Location		+5.0%	Nil	Nil
Size		+2.7%	-1.5%	+3.4%
Adjusted Unit Rate (PHP/sq.m.)		143,607	144,269	170,885

Adjustments in terms of different aspects, including discount on offer price, location and size, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted retail sale comparables range from PHP143,607 to PHP170,885 per sq.m. on the basis of saleable area. The three adjusted unit rates of the retail sale comparables on ground floor are assigned with the same weight and represent a weighted average of PHP153,000 per sq.m. on the basis of saleable area. Further adjustment of -54.0% in terms of floor level has been made and the adopted unit rate for retail units on upper floors of the property is PHP70,000 per sq.m. on the basis of saleable area.

The car parking space sale comparables collected on an exhaustive basis are considered relevant to the proposed development of the property in terms of property type, location and building age. A total of three car parking space sale comparables located in Metro Manila and with a building age of not greater than 15 years have been identified and analysed. The unit rates of the adopted car parking space sale comparables range from PHP1,200,000 to PHP1,500,000 per space. The following table shows the details of car parking space sale comparables with the adopted adjustments:

	Comparable 1	Comparable 2	Comparable 3
Development	One Archer's Place	Suntrust Ascentia	Covent Garden
District	Malate	Santa Ana	Santa Mesa
City	Manila	Manila	Manila
Year of Completion	2010	2019	2019
Property Type	Car Parking Space	Car Parking Space	Car Parking Space
Nature	Offer	Offer	Offer
Achievable Unit Rate (PHP/space)	1,500,000	1,227,485	1,200,000
Adjustment			
Discount on Offer Price	-3.0%	-3.0%	-3.0%
Location	Nil	Nil	Nil
Building Age	+6.5%	+2.0%	+2.0%
Adjusted Unit Rate (PHP/ space)	1,549,575	1,214,474	1,187,280

Adjustments in terms of different aspects, including discount on offer price, location and building age, have been made to the unit rates of the adopted comparables. After due adjustments in terms of the aforesaid aspects, the adjusted unit rates of the adopted car parking space sale comparables range from PHP1,187,280 to PHP1,549,575 per space. The three adjusted unit rates of car parking space sale comparables are assigned with the same weight and represent a weighted average of PHP1,300,000 per space.

10. The gross development value, which is the valuation of the property by assuming it has been completed and it can be freely transferred, as at the Valuation Date was circa PHP14,690,000,000. The calculation details of gross development value of the property is shown in the table below:-

	Saleable Area / No. of Carparking Space	Adopted Unit Rate	Gross Development Value (PHP)
Typical Apartments	72,404.05 sq.m.	x PHP143,600/sq.m.	10,397,221,580
Executive Apartments	16,124.95 sq.m.	x PHP153,700/sq.m.	2,478,404,815
Retail (Ground Floor)	2,252.14 sq.m.	x PHP153,000/sq.m.	344,577,857
Retail (Upper Floors)	13,512.86 sq.m.	x PHP70,000/sq.m.	945,900,000
Car Parking Space	400 spaces	x PHP1,300,000/space	520,000,000
		Total	14,686,104,252
		Rounded	14,690,000,000

11. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa PHP6,725,000,000 and PHP14,000,000 respectively.

12. When valuing the property, we have adopted Market Approach 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 developer's profit yet to be realised.

The adjustments to the gross development value have been detailed below:

Gross development value	PHP14,690,000,000	
Adjustments:		
Less marketing expense, agency fee and sales tax:	Circa PHP735,000,000	The adjustment is based on 5% of the gross development value.
Less outstanding construction cost:	Circa PHP6,725,000,000	The adjustment is based on the outstanding construction cost of circa PHP6,725,000,000 provided by the Group.
Less professional fee, contingencies and finance cost	Circa PHP1,465,000,000	The professional fee is the fee payable to professional parties including architects, engineers and surveyors for the development. The contingencies are allowances in costs due to unforeseeable matters and emergencies during the construction process. The finance cost is the cost of borrowing of the construction cost. It is calculated on the basis of half of the construction period since construction cost is generally borrowed and settled periodically by stage payments.
Less profit margin:	Circa PHP4,160,000,000	The adjustment is based on 1.5% of the outstanding construction cost as the professional fee; 3% of the outstanding construction cost and professional fee as the contingencies; and 8.5% over half of the outstanding construction period of 3.75 years for the finance cost. This is the developer's profit to be realised when carrying out development. It forms a component of the gross development value and thus it has to be deducted from the gross development value to arrive at the land value. It is an adjustment to the gross development value and does not involve any forecast. The adjustment is based on 45% of the total development and land costs.
Less outstanding development period:	Circa PHP575,000,000	This is the cost of time from the Valuation Date to the expected completion date of construction works. The adjustment is based on based on 8.5% over the outstanding pre-development period of 0.29 years and the outstanding development period of 3.75 years.
Market Value:	PHP1,030,000,000	

