

Date of Report: 25 October 2023

The Board of Directors

KWG Group Holdings Limited

Room 1301, 13th Floor,
Harcourt House,
39 Gloucester Road,
Wanchai, Hong Kong

Dear Sirs/Madams,

Re: Valuation of Phase III of Shanghai Apex (領峰) and Unsold Portion of Phase III of Shanghai Sapphire (峰匯), Jiading District, Shanghai City, the People's Republic of China

In accordance with an instruction for us to value various property interests held by subsidiaries of **KWG Group Holdings Limited** (the “**Company**”, together with the subsidiary as the “**Group**”) in the People's Republic of China (the “**PRC**”) as detailed in the attached valuation report, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinions of the capital values of such property interests as at **31 July 2023** (the “**Date of Valuation**”) for the purpose of **Public Circular** in relation to transaction(s) by the Group only.

We are acting as external valuer and in the position to provide objective and unbiased valuations to the Group. We confirm that we have no material connection or involvement with the subject asset or the other parties to the valuation assignment. Unless otherwise stated, we have sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Valuation Basis

The valuations comply with “The HKIS Valuation Standards 2020” published by The Hong Kong Institute of Surveyors (“**HKIS**”), “RICS Valuation — Global Standards” published by the Royal Institution of Chartered Surveyors (“**RICS**”), and the “International Valuation Standards” (“**IVS**”) published on 31 July 2021 by the International Valuation Standards Council as well as the requirements set out in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Owing to the nature of the proposed transactions, as per the instruction from the Company, we were instructed to assess Gross Development Values of the two properties, that are defined by HKIS as “the total proceeds of sales arising from the sale of all elements of the completed development proposed to be built on the site being valued”. The Gross Development Values are carried out on a market value basis, which is defined by HKIS 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.*”

Special Valuation Assumptions

On the basis of Gross Development Value, our valuations have been made on the assumption that the properties were fully completed and the owners had been granted with approvals to sell the properties on the open market. No provision has been made for outstanding development costs in our valuations. The valuations are further assumed that the values are not subject to benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuations neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of onerous nature which could affect their values.

For the purpose of valuations, we have adopted the gross floor areas as appeared in the title documents as provided, and no further verification work has been conducted. Whilst the common local practices in Shanghai are based on the gross floor area, no re-measurement of the floor area by International Property Measurement Standards as advocated by RICS has been made.

Valuation Methodology

The valuations of the rental housing portion of the properties have been primarily conducted by Income Capitalisation Method and Direct Comparison Approach was also applied for cross-checking purposes. Valuations of hotel portion, commercial, and carparking portions have been conducted by Direct Comparison Approach.

Income Capitalisation Method provides an indication of value by converting income potential to a single current value. Under this method, the potential incomes of a property is capitalised at appropriate yield(s).

Direct Comparison Approach consists of comparisons based on actual sales transaction and/or asking prices of comparable properties. Comparable properties with similar location, size, and character are selected and then analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

Source of Information

In the course of valuations, we have relied on legal opinions provided by the Group's PRC legal adviser, namely Jiangtian & Gongcheng Law Firm, and we have been provided with copy of certain title documents and approvals relating to the property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies provided to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to planning approvals, statutory notices, easements, floor areas, number of car parking spaces, room configuration of the hotel, development schedule, internal conditions of the properties upon completion, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspections of the properties were carried on 31 May 2023 by Mr. Amen YC Choi (BSc in Urban Studies), a probationer member of RICS, who has two years' property valuation experience in the PRC. We have inspected the exterior, certain interior and common parts of the properties. We have not inspected those parts of the properties which are covered, unexposed or inaccessible and such parts have been assumed to be in reasonable conditions. 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 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.

In the course of our inspections, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring lands, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

Limitation of Liabilities

We have had no reason to doubt the truthfulness 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 provided. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer is in a position to provide objective and unbiased valuations and is competent to undertake the valuation assignment. Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Date of Valuation. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Group contractual undertakings in respect of their services and shall be deemed to have paid to the Group such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding Five Hundred Thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

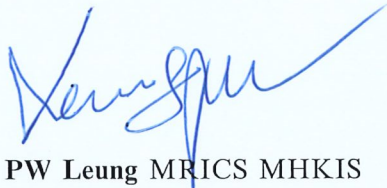
The Group is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

The valuations have been prepared by Mr. Alex PW Leung and Mr. Amen YC Choi. Mr. Leung is a member of HKIS and a member of RICS and he has over twenty years' post-qualified experience in valuing properties in the PRC. Mr. Choi has two years' experience in undertaking valuations in the PRC and he has performed the subject valuations under the direct supervision of Mr. Leung.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi (“RMB”), the lawful currency of the PRC; and the floor and site areas are quoted in square metre (“sq.m.”).

We enclose herewith a summary of values and the valuation report.

Yours faithfully,
For and on behalf of
CHFT Advisory and Appraisal Ltd.



Alex PW Leung MRICS MHKIS
Senior Director

Encl.

Note: Mr. Alex PW Leung is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. Mr. Leung has over 20 years' experience in valuing properties in the PRC.

SUMMARY OF VALUE

No.	Property Address	Gross Development Value as at the Date of Valuation
Property interests held under development		
1.	Phase III of Shanghai Apex (領峰), 719 Hezuo Road, Jiading District, Shanghai, the PRC	RMB580,000,000
2.	Unsold Portion of Phase III of Shanghai Sapphire (峰匯), 555 Tianzhu Road, Jiading District, Shanghai, the PRC	RMB700,000,000
TOTAL		<u>RMB1,280,000,000</u>

Note: Property Nos. 1 and 2 are known as Zhaojing Target Properties and Jinyi Target Properties respectively under the Public Circular of the Group.

VALUATION REPORT

				Gross Development Value as at the Date of Valuation												
No.	Property	Description and Tenure	Occupancy Details													
1.	Phase III of Shanghai Apex (領峰), 719 Hezuo Road, Jiading District, Shanghai, the PRC	Shanghai Apex is a large-scale residential, commercial and hotel development being developed in phases. Phase III of the development is erected on a parcel of land with a site area of about 29,054.10 sq.m.. The development is located in Jiading District, a suburban district in the city of Shanghai. The vicinity is dominated by medium-rise residential estates. Ruijin Hospital is located to the south-east of the development site. Jiading Xincheng Station of Line 11, Shanghai Metro is within easy reach from the development. The area is also served by public bus routes. Completed in September 2023, Phase III of the development comprise of eleven medium-rise rental housing blocks, two low-rise commercial buildings, a 186-room hotel, 324 car parking spaces, and other ancillary facilities. The total gross floor area of Phase III is about 48,860.57 sq.m. with breakdown as below: <table><thead><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td>Rental Housing</td><td>26,135.24</td></tr><tr><td>Commercial</td><td>1,767.14</td></tr><tr><td>Hotel</td><td>8,090.01</td></tr><tr><td>Carparking</td><td>11,729.10</td></tr><tr><td>Other Ancillary Facilities</td><td>1,139.08</td></tr></tbody></table> The property is held under granted land-use rights to be expired on 7 December 2050 for commercial use, 7 December 2060 for office use, and 7 December 2080 for residential use. The annual land-use fee payable to the government is currently RMB3 per sq.m. on this site.	Usage	Gross Floor Area (sq.m.)	Rental Housing	26,135.24	Commercial	1,767.14	Hotel	8,090.01	Carparking	11,729.10	Other Ancillary Facilities	1,139.08	As at the Date of Valuation, the property was at the final stage of construction and all the units were vacant.	RMB580,000,000 (RENMINBI FIVE HUNDRED EIGHTY MILLION)
Usage	Gross Floor Area (sq.m.)															
Rental Housing	26,135.24															
Commercial	1,767.14															
Hotel	8,090.01															
Carparking	11,729.10															
Other Ancillary Facilities	1,139.08															

Notes:

- a) Pursuant to State-owned Land-use Rights Grant (Document No.: Hu Jia Gou You Jian Shi Yong Di Contract Supplement (2022) No.16 (6.0)) dated 5 August 2022, the land-use rights of a land with a site area of 88,414.6 sq.m. have been granted to “Shanghai Zhaojing Real Estate Development Limited” (上海兆景房地產開發有限公司). As informed, the land has been developing into Phases I, II and III of Shanghai Apex.
- b) Pursuant to Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Jia Zi (2011) No. 023859 dated 29 November 2011, a land-use rights of the land with a site area of 29,054.1 sq.m. have been granted to Shanghai Zhaojing Real Estate Development Limited for terms to be expired on 7 December 2050 for commercial use, 7 December 2060 for office use, and 7 December 2080 for residential use. As informed, the land has been developing into Phase III of Shanghai Apex.
- c) Pursuant to “Permission Certificate of Construction Land-use Planning” (Document No.: Hu Jia Di (2011) EA31011420110280), Shanghai Zhaojing Real Estate Development Limited is permitted to use the land parcel(s) with a total site area of 96,761.40 sq.m. (of which 88,414.60 sq.m. for construction, 676.70 sq.m. for roads, and 4,670.10 sq.m. for greenery) for residential use.
- d) Pursuant to “Permission Certificate for Construction Works Planning” (Document No.: Hu Jia Jian (2019) FA31011420197613), the construction works of various buildings with a total construction scale of 49,032.41 sq.m. were permitted.
- e) Pursuant to “Permission Certificate for Construction Works Commencement” (Document No.: 1902JD0155D02), the construction works of various buildings with a total construction scale of 49,032.41 sq.m. were permitted to commence.
- f) Pursuant to “Letter of Indemnificatory Rental Housing Project” dated 16 May 2023, the usage of the subject flats in Phase III have been classified for indemnificatory rental housing. The restrictions of the flat units are as follows:
 - (i) flat units cannot be for sale on the market or being transferred in form of long-term lease;
 - (ii) the first rentals have to be less than 90% of same quality residential properties in the same area; and
 - (iii) annual rental increment could not be more than 5%.
- g) As advised by the Company, the total construction cost of the property was about RMB295 million and there was no material outstanding construction cost as at the Date of Valuation.
- h) We have been provided with legal opinions on the property interests by the Group’s PRC legal adviser, which contains, *inter alia*, the following:
 - (i) Shanghai Zhaojing Real Estate Development Limited has legally obtained ownership of the property;
 - (ii) The construction of Phase III is complete, however, the “Realty Title Certificate” has not been processed;
 - (iii) The property is subjected to various mortgages at a total loan amount of RMB442,609,000 in favor of China Construction Bank Shanghai — Jiading Branch for various terms commencing from 2 February 2020. The longest term is 25 years;

- (iv) Upon the grant of “Realty Title Certificates”, the property could be held for rental income; and is subject to restrictions under Letter of Indemnificatory Rental Housing Project; and
 - (v) The property is not allowed to transfer as a whole, by floor or by strata basis. In case of liquidation, restructuring, revocation and other special circumstances, the Grantee may seek an approval from the Grantor of the land to transfer as a whole.
- i) With the consideration of the above legal opinions, our valuation is based on an assumption that an approval had been given by the Grantor to the Grantee to transfer the property to a third party without payment of any material land premium, and not imposing any new restrictions or conditions to potential buyer.
- j) In arriving at the Gross Development Value of the indemnificatory rental housing, we have referenced asking rents of other developments nearby. Due adjustments to the rental unit rates have been made to reflect factors including but not limited to time, location, age and conditions, floor level, view, size, discounts between asking rents and striking rents, as well as rental discount in an indemnificatory rental housing project. The selection criteria for the rental asking comparables of the housing units listed below:
- (i) Development — flat units within estate type development;
 - (ii) Location — low to medium floors within the same business circle, namely Jiading New City;
 - (iii) Date of Listing — within three months from the Date of Valuation; and
 - (iv) Sources of Information — 58.com and anjuke.com, which are nationwide on-line platforms that provide asking prices and rents of various properties in the PRC. We considered they are reliable sources.
- k) Four flat units in Shanghai Sapphire which are located in the subject business circle were considered relevant. Information of the four comparables are summarized in the following table:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Gross Floor Area	42.00 sq.m.	51.22 sq.m.	45.00 sq.m.	40.00 sq.m.
Floor Level	Low	Low	Middle	Middle
Building Completion	2010	2010	2010	2010
Date of Listing	Sep 2023	Oct 2023	Sep 2023	Sep 2023
Asking Rental Per Month exclusive of management fee and utility charges	RMB2,700	RMB3,000	RMB2,850	RMB2,400
Rental Rate Per sq.m. Per Month	RMB64.3	RMB58.6	RMB63.3	RMB60.0

- l) After adjustments to the rental unit rates for various factors as above-mentioned in Note j), we have adopted the monthly unit rental of RMB56.0 per sq.m. per month for the subject housing units and applied 4.75% as the rental yield to convert the rental income into capital value of the rental housing portion.
- m) For the hotel portion, we have referenced asking prices of other hotel developments in Jiading District. Due adjustments have been made to reflect factors including but not limited to time, location, room size, age and conditions, availability of facilities, scale, hotel management, the remaining land term, as well as discounts that could be offered from the asking prices. The selection criteria for the asking comparables of the hotel are listed below:
- (i) Development — hotel developments;

- (ii) Location — Jiading District;
- (iii) Date of Listing — within nine months from the Date of Valuation, and
- (iv) Sources of Information — jidianrong.com and hotelpn.cn, which are two transaction data and sale listing on-line platforms specialized in the PRC hotel market and considered to be reliable sources.
- n) Two comparables in Jiading District are found to meet the abovementioned criteria in Note m). Information of the two comparables are summarized in the following table:

	Comparable 1	Comparable 2
Hotel Name	Universal Ever-Rich Shanghai Hotel	Royal Kayee Hotel
Last Refurbishment Date	2005	2019
Gross Floor Area	27,455.00 sq.m.	2,514.51 sq.m.
Total number of Guestrooms	188 Rooms	59 Rooms
Hotel Facilities	Three F&B outlets, meeting rooms, karaoke parlour and spa centre	Two F&B outlets, meeting rooms and gym
Date of Listing	June 2023	December 2022
Asking Price	RMB250,000,000	RMB59,000,000
Unit Rate per Room	RMB1,329,787	RMB1,000,000

- o) After adjustments to the unit rates for various factors as above-mentioned in Note m), we have adopted the room rate of RMB720,000 per room for the hotel portion.
- p) For the commercial portion, we made referenced asking prices of commercial premises in Jiading New City within six months from the Date of Valuation. Three comparables are considered relevant and the unit rates are in the range of RMB28,696 to RMB30,271 per sq.m.. We have adopted the unit rate of RMB27,000 per sq.m.
- q) For the carparking portion, we made referenced asking prices of car parking spaces in various residential estates outside of the Outer Ring Road of Shanghai within six months from the Date of Valuation. The comparables are in a wide range of RMB75,000 to RMB130,000 per space, and we have adopted the unit rate of RMB85,800 per space.
- r) We summed up the values of various portions and concluded our valuation:

Usage	Gross Development Value
Rental Housing	RMB370,000,000
Commercial	RMB47,700,000
Hotel	RMB134,000,000
Carparking	RMB27,800,000
	RMB579,500,000
Total	Say, RMB580,000,000

VALUATION REPORT

				Gross Development Value as at the Date of Valuation										
No.	Property	Description and Tenure	Occupancy Details											
2.	Unsold portion of Phase III of Shanghai Sapphire (峰匯), 555 Tianzhu Road, Jiading District, Shanghai, the PRC	Shanghai Sapphire is a large-scale residential and commercial development being developed in phases. The whole development is erected on a parcel of land with a site area of about 53,829.20 sq.m.. The development is located in Jiading District, a suburban district in the city of Shanghai. The vicinity is dominated by high-rise residential estates. A regional shopping mall, namely Baolong Plaza is located to the east of the development. Two metro stations along Line 11 of Shanghai Metro, namely, Baiyin Road Station and Jiading Xincheng Station are within easy reach from the development. The area is also served by public bus routes. Upon completion, Phase III of the development will comprise of two 24/26-storey rental housing towers, two low-rise commercial buildings, 379 car parking spaces and other ancillary facilities. The total gross floor area of the unsold portions of Phase III will be about 63,666.22 sq.m. with breakdown as below: <table><thead><tr><th>Usage</th><th>Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td>Rental Housing</td><td>44,973.00</td></tr><tr><td>Commercial</td><td>3,190.16</td></tr><tr><td>Carparking</td><td>12,506.25</td></tr><tr><td>Other Ancillary Facilities</td><td>2,996.81</td></tr></tbody></table> The property is held under granted land-use rights to be expired on 22 May 2050 for commercial services (hotel) uses, and 22 May 2060 for office use. The annual land-use fee payable to the government is currently RMB3.0 per sq.m. for this site.	Usage	Gross Floor Area (sq.m.)	Rental Housing	44,973.00	Commercial	3,190.16	Carparking	12,506.25	Other Ancillary Facilities	2,996.81	The property is under construction. As advised by the Group, the property is scheduled to be completed by June 2024.	RMB700,000,000 (RENMINBI SEVEN HUNDRED MILLION)
Usage	Gross Floor Area (sq.m.)													
Rental Housing	44,973.00													
Commercial	3,190.16													
Carparking	12,506.25													
Other Ancillary Facilities	2,996.81													

Notes:

- a) Pursuant to State-owned Land-use Rights Grant (Document No.: Hu Jia Gui Tu (2018) Grant Contract Supplement No. 75 (5.0)) dated 27 November 2018, the land-use rights of a land with a site area of 53,829.2 sq.m. have been granted to “Shanghai Jinyi Properties Limited” (上海錦怡置業有限公司). As informed, the land has been developing into Phases I, II and III of Shanghai Sapphire.
- b) Pursuant to a Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Jia Zi (2010) No. 022870 dated 20 July 2010, the land-use rights of the land with a site area of 53,389.2 sq.m. have been granted to Shanghai Jinyi Properties Limited for terms to be expired on 22 May 2050 for commercial services (hotel) use, and 22 May 2060 for office use. As informed, the land has been developing into Phase I, II & III of Shanghai Sapphire.
- c) Pursuant to “Permission Certificate of Construction Land-use Planning” (Document No.: Hu Jia Di (2010) EA31011420101818), Shanghai Jinyi Properties Limited is permitted to use the land parcel with a total site area of 72,352.20 sq.m. (of which 53,829.20 sq.m. for construction, 15,419.60 sq.m. for roads and 3,103.4 sq.m. for greenery) for hotel, commercial and office uses.
- d) Pursuant to “Permission Certificate for Construction Works Planning” (Document No.: Hu Jia Jian (2019) FA31011420197616), the construction works of various buildings in Phase III with a total construction scale of 65,032.8 sq.m. were permitted.
- e) Pursuant to “Permission Certificate for Construction Works Commencement” (Document No.: 1902JD0157D02), the construction works of various buildings in Phase III with a total construction scale of 65,032.8 sq.m. were permitted to commence.
- f) Pursuant to “Letter of Indemnificatory Rental Housing Project” dated 16 May 2023, the usage of the subject flats in Phase III have been classified for indemnificatory rental housing. The restrictions of the flat units are as follows:
 - (i) flat units cannot be for sale on the market or being transferred in form of long-term lease;
 - (ii) the first rentals have to be less than 90% of same quality residential properties in the same area; and
 - (iii) annual rental increment could not be more than 5%.
- g) As advised by the Company, the estimated total construction cost and outstanding construction cost of the property as at the Date of Valuation were about RMB339 million and RMB28 million respectively. We opine the capital value of the property in existing state as at the Date of Valuation was in the sum of RMB629 million.
- h) We have been provided with legal opinions on the property interests by the Group’s PRC legal adviser, which contains, *inter alia*, the following:
 - (i) Shanghai Jinyi Properties Limited has legally obtained ownership of the property;
 - (ii) Phase III is under construction, “Realty Title Certificate” is not yet available;
 - (iii) The property is subjected to mortgage at a loan amount of RMB385,000,000 in favor of China Construction Bank Shanghai — Jiading Branch for a term commencing from 22 November 2021 to 1 November 2045;
 - (iv) Upon the grant of “Realty Title Certificates”, the property could be held for rental income; and is subject to restrictions under Letter of Indemnificatory Rental Housing Project; and
 - (v) The property is not allowed to transfer as a whole, by floor or by strata basis. In case of liquidation, restructuring, revocation and other special circumstances, the Grantee may seek an approval from the Grantor of the land to transfer as a whole.