

Our Ref: 24-30471

17 June 2024

The Directors

**Chuang's Consortium International Limited**

25/F, Alexandra House

18 Chater Road, Central

Hong Kong

**Re: Valuation of International Finance Centre, 1st Khoroo, Sukhbaatar District,  
Ulaanbaatar, Mongolia (the "Property")**

Dear Sirs,

**Instructions, Purposes and Valuation Date**

In accordance with the instructions for us to value the Property in which Chuang's Consortium International Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests, we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Value of the Property in its existing state as at 31 March 2024 (the "Valuation Date") for circular purposes.

**Valuation Basis**

Our valuation is based on Market Value which is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Valuation Standards**

The valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors' RICS Valuation – Global Standards, incorporating the International Valuation Standards published by the International Valuation Standards Council (IVSC) and follows the International Valuation Standards.

Colliers International (Hong Kong) Limited is regulated by the Royal Institution of Chartered Surveyors (RICS) which monitors regulated firms under its conduct and disciplinary regulations. In accordance with RICS regulatory requirements, Colliers International (Hong Kong) Limited maintains a complaints handling procedure, details of which are available upon request.

We have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

### **The Valuer**

The Property has been valued by Hannah Jeong, and assisted by Terence Yeung. The valuers have sufficient valuation experience to undertake a valuation of this size and nature.

Hannah is a Member of the Royal Institution of Chartered Surveyors (Registration No. 1238540), a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. She is suitably qualified to carry out the valuation and has more than 18 years of experience in valuing properties of this magnitude and nature.

Terence is a Member of the Royal Institution of Chartered Surveyors (Registration No. 6526261), a Member of the Hong Kong Institute of Surveyors and a CFA Charterholder. He is suitably qualified to carry out the valuation and has more than 9 years of experience in valuing properties of this magnitude and nature.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary or other conflict of interest that would affect their ability to give an unbiased and objective opinion of the value of the Property.

### **Valuation Assumptions**

- Our valuation has been made on the assumption that the seller disposes of the Property on the open 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.
- No allowance has been made for any charges, mortgages or amounts owing on the Property or for any expenses or taxations which may be incurred in effecting a sale.
- Unless otherwise stated, we have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.
- It is assumed that any land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the Property have been fully paid and settled.
- We have assumed proper title has been obtained, and the Property and the interest valued therein can be freely transferred, mortgaged and let in the market.

- We are not aware of any easements or rights of way affecting the Property and have assumed that none exists.
- We have assumed that all information, estimates and opinions furnished to us and contained in this report including all information provided by the Company, are true and correct, fit for valuation purposes, and from reliable sources. We can assume no responsibility for accuracy.
- We have not carried out any detailed site measurements to verify the correctness of areas, nor have we tested any of the services and facilities. We have assumed that the areas shown on the documents provided to us are correct and that the services and facilities are in good working order.
- We have assumed that the Property is free from any contamination and environmental problems or hazards.

### **Valuation Approaches and Methods**

In determining the Market Value of the Property which were under development as at the Valuation Date, we have adopted the Residual Method. Residual Method is commonly adopted for development projects due to limited market comparables for construction-in-progress sites. We have assumed that the Property will be developed and completed in accordance with the latest development proposals provided to us by the Company.

The Residual Method is a means of valuing land or buildings by reference to their development potential. The value is the residue of the Gross Development Value of the proposed development scheme upon completion, deferred by the development period up to the time when all the units have been disposed of in the open market, after deducting the development costs including demolition costs, building costs, professional fees and allowance for risk and profit.

In the course of the Residual Method of valuation, we have adopted Market Approach to assess the Gross Development Value of the Property. Gross Development Value refers to the total proceeds of sale arising from sales of all units of the completed development proposed to be built on the site being valued.

As there are sufficient comparables in the market for assessing the total proceeds of sales, Market Approach is considered to be the most suitable approach for valuing property in similar magnitude in the market.

The Market Approach estimates the value of a property by comparing recent sales of similar interests in the building or buildings located in their surrounding area. By analysing such sales which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for nature of transaction, size, location, time, amenities, and other relevant factors when comparing such sales prices to assess the value of the property. This approach is commonly used to value properties when reliable sales evidence of properties of a similar nature is available.

## **Inspections, Investigations and Sources of Information**

Last inspection of the Property, befitting this valuation, was undertaken on 15 May 2024 by Terence Yeung. We have assumed that the Property is in the reasonable condition reflecting the incurred construction cost as at the Valuation Date and the construction progress from last date of inspection.

In relation to the construction cost information, we have taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost information provided by the Company as at the Valuation Date.

We have been provided with the approved architectural plan, land use rights agreement, land use rights certificate together with the translation documents. We have relied considerably on the advice given by the Company's Mongolian legal adviser – MahoneyLiotta LLP (“Mahoney”), concerning the validity of the property interests in Mongolia.

We have relied on a very considerable extent on the information given by the Company and have accepted advice given to us on the matters related to land uses term, planning approvals, approved architectural plan documents, statutory notices, particular of occupancy and other relevant matters.

We confirm that we have made enquiries and obtained such information as we consider necessary to undertake the valuation. The information has been obtained from various sources, including the Company, information already in the public domain and our own databases and has been verified as far as is reasonable.

No on-site measurements have been taken to verify the correctness of site areas. We have assumed that the site areas shown on the documents obtained by us are correct. No structural or environmental surveys have been carried out. Services and facilities have not been tested.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

## **Currency**

All monetary figures stated in this report are in United States Dollar (US\$).

## Valuation

We are of the opinion that the market value of the Property, subject to the contents, terms and conditions contained within and annexed to this report, as at 31 March 2024, is in the sum of:

**US\$29,000,000**  
**(United States Dollars Twenty Nine Million Only)**

Our valuation particulars are attached hereto.

Yours faithfully,  
For and on behalf of  
Colliers International (Hong Kong) Limited



Hannah Jeong  
*MSc (Real Estate) MRICS MHKIS RPS(GP)*  
Head of Valuation and Advisory Services

*Note:* Hannah Jeong holds a Master of Science Degree in Real Estate and is a Member of The Royal Institution of Chartered Surveyors with over 18 years' experience in the real estate industry. Her valuation experience covers the United Kingdom, Central and West Asia, People's Republic of China, Korea, Hong Kong and other regions. Hannah is a Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice).

Property interests for property under development which the Company is considering disposing of:

### VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2024
International Finance Centre, 1st Khoroo, Sukhbaatar District, Ulaanbaatar, Mongolia (the "Property")	<p data-bbox="464 470 847 761">International Finance Centre is a commercial construction- in-progress that is proposed to be a 26-storey office tower comprising 2-storey of basement car parking spaces, G/F for lobby and retail shops and 2/F to 26/F for office uses.</p> <p data-bbox="464 810 847 1208">According to the land use rights certificate provided by the Company, the Property has a registered site area of 3,269 sq. m. which was held under the land use rights certificate No. 000003661 dated 14 September 2021 granted for a term of 5 years commencing from 9 September 2021.</p> <p data-bbox="464 1257 847 1506">According to the approved architectural plan provided by the Company, the Property has a total gross floor area of approximately 40,000 sq. m. (including both retail and office).</p>	As advised by the Company and confirmed by on-site inspection, the Property is currently under construction with superstructure work having been topped off.	US\$29,000,000 (United States Dollars Twenty Nine Million Only)

*Notes:*

- (1) The registered owner of the Property is Mongolia Property Development LLC (the “Target Company”) under land use rights agreement No. 01119–2021/02987 dated 13 April 2022.
- (2) Pursuant to the land use rights certificate No. 000003661 dated 14 September 2021 provided by the Company, the Property, with land plot No. 1460500329, was held under land use rights of 5 years commencing from 9 September 2021, in favour of the Target Company for library, services and residential uses. As advised by the Company, according to the local practice, “services” uses included retail and office uses.
- (3) The Property is located within the central business district, at the junction of Chinggis Khan Avenue and Genden Street. The Property is strategically located within 5 minutes walking distance from Chinggis Khan Square. The neighbourhood is surrounded by Grade A offices, retail premises and hotel developments. It is also conveniently located in proximity to the key shopping mall of the city, Shangri-la Centre.
- (4) Pursuant to the approved architectural plan dated 22 June 2015 in favour of the Target Company, permission by the relevant local authority was given to commence the construction work with a total gross floor area of approximately 40,000 sq. m. and the estimated net floor area to gross floor area efficiency is approximately 81%.
- (5) As advised by the Company and further verified by independent qualified quantity surveyor, the estimated total construction cost for the Property is about US\$50.4 million, among which, the incurred cost as of the Valuation Date is about US\$22.0 million and the outstanding construction cost as of the Valuation Date is about US\$28.4 million. Adding together with the related professional fee of approximately US\$2.2 million as advised by the Company, the estimated total construction cost for the Property is about US\$52.6 million, and the incurred cost as at the Valuation Date is about US\$24.2 million and the outstanding construction cost as of the Valuation Date is about US\$28.4 million.

We have been provided with an independent qualified quantity surveyor report dated 24 May 2024 and issued by NL Consultants Limited which is engaged by the Company for the verification of the construction cost of the Property, which contains, inter alia, the followings:

- (i) The total contract sum and payment status up to 31 March 2024 of the Property have been checked and verified with the contract documents, agreements, quotations and payment records;
- (ii) The total contract sum of the Property is about US\$50.4 million; and
- (iii) The remaining contract sum outstanding to be paid of the Property is about US\$28.4 million.

In the course of the Residual Method, we have relied on the outstanding construction cost of about US\$28.4 million, as verified by the abovementioned independent qualified quantity surveyor, and deduct such amount from the Gross Development Value assessed to arrive at the market value of the Property.

- (6) As at the Valuation Date, the estimated completion date for the proposed development of the Property is around October 2025 as advised by the Company.

(7) Our valuation on Gross Development Value has been made on the following basis:

- (i) In assessing the Gross Development Value, we have collected and analysed relevant asking comparables in the locality, which are available for sales over the past 2 quarters. The selected comparables are completed between 2014 to 2024, and share similarities with the subject property in terms of location, quality, accessibility, building usage as office and/or composite, etc. The unit rates of these comparables on net floor area basis ranged from approximately US\$1,836 per sq. m. to US\$3,706 per sq. m..

The details of the comparables are as follows:

	Comparable 1	Comparable 2
Name of Development	Millennium Plaza	UB Tower
District	Bayanzurkh	Bayanzurkh
Type	Composite	Office
Net Floor Area (sq. m.)	59	42
Floor	13	9
Year Built	2021	2023
Asking Price (US\$)	148,546	76,379
Unit Rate (US\$/sq. m.)	2,518	1,836
	Comparable 3	Comparable 4
Name of Development	BID Financial Centre	River Plaza
District	Sukhbaatar	Khanuul
Type	Office	Composite
Net Floor Area (sq. m.)	247	287
Floor	7	3
Year Built	2014	2023
Asking Price (US\$)	658,462	758,283
Unit Rate (US\$/sq. m.)	2,666	2,642
	Comparable 5	Comparable 6
Name of Development	Ayud Tower	Soyombo Tower
District	Sukhbaatar	Sukhbaatar
Type	Office	Composite
Net Floor Area (sq. m.)	800	485
Floor	8	3
Year Built	2018	2018
Asking Price (US\$)	2,073,429	947,853
Unit Rate (US\$/sq. m.)	2,592	1,954
	Comparable 7	Comparable 8
Name of Development	Minister Tower	International Technology Centre
District	Sukhbaatar	Sukhbaatar
Type	Composite	Office
Net Floor Area (sq. m.)	182	444
Floor	9	10
Year Built	2024	2024
Asking Price (US\$)	674,404	1,492,869
Unit Rate (US\$/sq. m.)	3,706	3,362

The selected comparables have been collected over the past 2 quarters, encompassing a suitable timeframe that adequately reflects the prevailing market conditions as at the Valuation Date. Considering the availability of new office developments for sales in the city center of Ulaanbaatar, comparables from various districts have been chosen but they are still close to the Property. To account for the variations in locality, adjustments have been applied to reflect the differences in terms of location.



- (ii) Due adjustments to the unit rates of the adopted comparables have been considered to reflect factors including asking nature of all comparables wherein we adopted downward adjustment to reflect that asking price is negotiable. We have applied building age upward adjustment as the subject property will be newly completed. Other adjustment factors including location, provision of amenities, building quality, building age, size and view have also been considered and reflected in arriving at the adopted unit rate of about US\$2,819 per sq. m. on net floor area.
  - (iii) The average unit rate adopted in our valuation for the subject property after adjustments is at about US\$2,819 per sq. m. on net floor area and the above average unit rate adopted in our valuation is consistent with the selected comparables' unit rates reference.
  - (iv) Gross Development Value is assessed at about US\$91,300,000 with the unit rate of US\$2,819 per sq. m. on net floor area. In the Residual Method, development costs including marketing cost, legal cost, construction cost, developer profit are then deducted from the Gross Development Value to arrive at the market value of US\$29,000,000. The deducted development costs included the outstanding construction cost of approximately US\$28.4 million as verified by the independent qualified quantity surveyor as mentioned in note 5 above. Marketing cost and legal cost are reference to market practice and are estimated at about 6.5% of the Gross Development Value and is amounted to approximately US\$5.9 million. With the application of the developer profit of about 25% and discount rate at 15%, which are in line with market practice, the market value of the Property of US\$29,000,000 is arrived.
- (8) We have been provided with a legal opinion on the Property dated 17 June 2024 issued by Mahoney, the Mongolian legal adviser of the Company, which contains, inter alia, the following:
- (i) The land use rights certificate of the Property is valid, legal and enforceable under the Mongolia laws;
  - (ii) The Target Company is the sole legal land user of the Property; and
  - (iii) There is no liens, pledges nor mortgage imposed on the Property that affect the transfer of title of the Property.
- (9) The Property was inspected by Terence Yeung, *MRICS MHKIS CFA*, Associate Director, Colliers International (Hong Kong) Limited on 15 May 2024.
- (10) The valuation arrived at has not been determined by reference to comparable market transactions which is the most reliable method for valuing property assets and the most common method used for valuing properties in Hong Kong. In contrast, because of the lack of comparable market transactions in the locality in which the subject property is situated, this valuation has used the residual method which is generally acknowledged as being a less reliable valuation method. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer's profit from its estimated completed development value. It relies upon a series of assumptions made by us which produce an arithmetical calculation of the expected current sale value as at 31 March 2024 of a property being developed or held for development or redevelopment. Where the property is located in a relatively under-developed market (Ulaanbaatar in Mongolia), those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, investors are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.



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