

17 June 2024

The Board of Directors
China Aoyuan Group Limited
Unit 1901-02, 19th Floor
One Peking, No 1 Peking Road
Tsim Sha Tsui, Kowloon Hong Kong

Dear Sirs,

Property Held for Sale by the Group – Phase 1 of Nos. 5799 & 5915 Yonge Street and Nos. 46-47 Averill Crescent, Toronto, Canada (the “Property”)*

In accordance with the instructions from Aoyuan Property Holdings (Canada) Ltd. (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to value the Property in Canada for disposal purpose, 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 opinion of the market value of the Property in its existing state as at 18 March 2024.

Basis of Valuation

Our valuation is our opinion of the market value of the property interest, which we would define as intended to mean “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.”.

Market value is understood as the value of an asset or liability estimated without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with the requirements contained within relevant provisions of Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, “The HKIS Valuation Standards 2020” issued by the Hong Kong Institute of Surveyors and “The RICS Valuation – Global Standards” issued by the Royal Institution of Surveyors.

Valuation Methodology

We have valued the Property by Market Approach and Income Approach with reference to available market comparable transactions and assumed sale of property interest with the benefit of vacant possession. We have also taken into account the estimated development costs and costs incurred as at the Valuation Date, etc as provided to us by the Group. In arriving at our valuation, we have adopted the Market Approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments.

We adopted Market Approach for the residential portion, as market comparable transactions are readily available for residential properties that are vacant. Market Approach is the most common and reliable valuation approach for valuing property by referencing to market comparable transactions of similar properties. We thus applied Market Approach to value the residential portion.

We adopted Income Approach for office the office portion and the retail portion. The office portion of the Property is located in a podium from level 3 to 7 underneath residential towers. The office block is unique in physical nature comparing to other office development in the area. Most of the office developments are low-rise single office blocks or high-rise office buildings with curtain wall. Comparable sale transactions of similar office blocks are not available in the locality. Therefore, rental comparables which could reflect the market demand of the subject office portion are considered to be more appropriate to represent the market value of the Property. The retail portion of the Property is leased with contractual rental income. Income Approach reflecting the rental income of the retail portion during the lease term is thus the appropriate method.

Title Documents and Encumbrances

We have not caused land search for the Property valued and have been provided by the Group with copies of extracts of title documents relating to the Property. The title owner of the Property is 2591260 Ontario Inc., which is a wholly-owned subsidiary of Ontario Aoyuan Property Limited. However, we have not inspected the original documents to verify

ownership or to verify any amendments, which may not appear on the copies handed to us by the Group. In the course of our valuation, we have relied on the information given by the Group regarding the title and other legal matters relating to the Property. We have no reason to doubt the truth and accuracy of the information provided to us by you which is material to the valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

We have relied to a considerable extent on the information given by the Group, including but not limited to total budget, cost to complete, completion date of buildings, list of sold units, list of inventory units, lease agreement, development approval, land title report and lien charges, etc. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion date of the buildings, particulars of occupancy, tenancy particulars, site and floor areas, and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the site and floor areas of the Property and we have assumed that the site and floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

The Property was inspected by our Clement Leung MFin MCIREA MHKIS MRICS RPS (GP), on June 5, 2024. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc. We reviewed the architectural field review report dated 6 April 2024, and the mechanical and electrical field review report dated 6 March 2024 to investigate the building conditions and the mechanical and electrical progresses. Our valuation is prepared on the assumptions that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Group) to ensure that the Property, identified by the property address in the instructions, is the Property inspected by us and contained within our valuation report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property have been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

We have prepared the valuation based on the information and data available to us as at the valuation date. While the current market is influenced by various policies and regulations, increased global conflicts could add further fluctuations in real estate market. It must be recognised that enactment of emergency measures, changes in mortgage requirements or international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

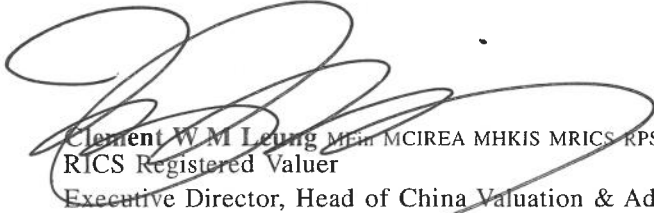
We have no present or prospective interest in the Property that is the subject to this report, and have no personal interest or bias with respect to the parties involved.

Currency

Unless otherwise stated, all money amounts stated are in Canadian Dollar (CAD).

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited



Clement W M Leung MCI, MCIREA, MHKIS, MRICS, RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Remarks: Clement W M Leung, is a qualified valuer (MCIREA MHKIS MRICS RPS (GP)) and has more than 30 years' experience in valuation of properties in Hong Kong, the People's Republic of China, the Asia Pacific Region, the United States of America and Canada. In this valuation, Clement Leung conducted site inspection and the valuation was completed with the assistances from a valuer from Cushman & Wakefield Toronto office being as qualified AACI, P.App. Canadian valuer.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 18 March 2024
<p>Phase 1 of Nos. 5799 & 5915 Yonge Street and Nos. 46-47 Averill Crescent, Toronto, Canada</p>	<p>The property comprises Phase 1 of a parcel of mixed-use development land with a site area of approximately 28,659.61 sq m which will be developed into 3 phases (the “Development”).</p> <p>The Development is located in Newtonbrook neighbourhood (C14 ward), North York, in the north end of Toronto. The area is characterized as a mix of commercial and residential uses. The neighbourhood features a variety of housing options, including single-family homes, townhouses, condominiums.</p> <p>Planning of the Phase 1 of the Development is approved by City of Toronto for two mixed-use towers of 36 and 34 storeys connected by a podium. As at the effective date of this appraisal, the development has secured all land use planning applications.</p> <p>The property comprises two mixed-use towers with a total of 808 residential units, one with 36-storey (Tower A) and the other one with 34-storey (Tower B) erected over a podium and four car parking basements.</p> <p>The podium comprises 5 office levels, a ground retail level, residential floors and 25 townhouses on Level 1 to Level 6.</p> <p>The property comprises a total gross floor area of approximately 766,788 sq ft and the area breakdown is listed as follows:</p>	<p>The property is under construction and substantially completed. According to the Group, the construction of the project is 93% complete and is expected to be completed in 6 to 9 months from the valuation date.</p> <p>The retail portion is subject to a lease agreement with a supermarket tenant, H-Mart, and commences from 1 April 2024 with the following lease terms and net rates: 1st to 5th year – CAD40 per sq ft 6th to 10th year – CAD45 per sq ft 11th to 15th year – CAD50 per sq ft</p> <p>After the 15th year of the lease, the tenant has the right to extend this lease for two further periods of five years each with the then market net rates.</p> <p>The property is subject to no other lease agreement.</p>	<p>CAD425,400,000 (CANADIAN DOLLARS FOUR HUNDRED TWENTY FIVE MILLION AND FOUR HUNDRED THOUSAND ONLY)</p>
	<p>Approximate Gross Floor Area (sq ft)</p>		
	<p>Residential</p> <p>Retail</p> <p>Office</p>	<p>689,202</p> <p>35,263</p> <p>42,323</p>	
	<p>Total</p>	<p><u>766,788</u></p>	

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 18 March 2024
	The car park basement also comprises 968 car parking spaces.		
	The property is held under a freehold estate.		

Notes:

- The property is currently owned by 2591260 Ontario Inc.
- As advised by the Group, a portion of residential units with a total salable floor area of 536,245 sq ft, 541 units of residential parking and 661 units of lockers of the property have been pre-sold at a total consideration of CAD557,968,996 (the “**Presold Portion Value**”). As the pre-sold units were sold to independent purchasers in the open market, and the Presold Portion Value is a fixed contracted value, therefore we consider the Presold Portion Value to reflect the market value of the property as is. According to the Group’s instruction, we have taken the pre-sold units into consideration in the course of our valuation.
- The breakdown of the un-sold portion with market value is listed below.

	No. of units	Unit price (CAD per sq ft)	Average unit size (sq ft)	Market Value (CAD)
Residential Units	52	690	1,113	39,917,190
Retail	1	650	30,000	19,500,000
Office	1	200	29,340	5,868,000

- As advised by the Group, the construction cost incurred and the projected outstanding cost of the property as at the valuation date were approximately CAD368,242,000 and CAD51,000,000 respectively. Accordingly, we have taken into account the aforesaid cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming they were completed as at the valuation date, was estimated approximately as CAD606,900,000 (the “**Gross Development Value**”).

The Gross Development Value is derived by summation of the 100% Presold Portion Value and 75% of the market value of unsold portion. An en-bloc discount of 25% has been applied to reflect the single transaction for the Group to effectively dispose of all the unsold portion.

As advised by the Group, the projected outstanding cost of CAD51,000,000 (the “**Outstanding Costs**”) mainly consists of the cost to complete construction work of CAD23,800,000, the unpaid sales commission to real estate agents of CAD14,700,000, construction financing costs of CAD8,300,000, contingency of CAD1,300,000 and other outstanding costs.

- The Market Value of the property CAD425,400,000 is derived from the Gross Development Value less 8.6% sales tax, less the Outstanding Costs, less a developer’s profit and/or risk discount factor of 10%, then applied the time discount to achieve the present value.

The property is still under construction and anticipated to be complete in December 2024. To reflect the un-completed status of the property, a developer’s profit and/or risk discount of 10% is allowed to reflect the profit and risk factor in converting the property to completed status.

The present value factor is 0.9286 by adopting a time discount rate of 9.75% per annum for approximately 9 months counting from the valuation date to the estimated completion date of the property in December 2024.

6. According to the information provided, the property is subject to the following mortgages.

Registration Date	Chargor(s)	Chargee(s)	Amount
May 28, 2018	2591260 Ontario Inc.	HSBC Bank Canada	\$110,000,000
March 28, 2019	2591260 Ontario Inc.	Travelers Insurance Company of Canada	\$125,000,000
March 4, 2020	2591260 Ontario Inc.	HSBC Bank Canada	\$450,000,000
February 15, 2024	2591260 Ontario Inc.	Torino Drywall Inc. (Construction Lien)	\$4,500,602
March 1, 2024	2591260 Ontario Inc.	Premform Construction Ltd. (Construction Lien)	\$6,319,051
		Total	\$695,819,653

7. According to the Statement of Approval for site plan issued by City of Toronto on May 31, 2023, M2M Phase 1 is approved for two mixed-used towers of 34 and 36 storeys connected by a podium with a total of 808 residential units, with a total gross floor area of 71,236 square metres, of which 64,029 square metres will be for residential uses, 3,276 square metres for retail uses, and 3,932 square metres will be for office uses, as per the proposed plans and drawings.
8. Pursuant to the conditional share purchase agreement entered into between the Company and Winnet Capital Ltd. dated May 13, 2024, certain shares of Ontario Aoyuan Property Limited, representing the entire economic interest in the M2M Project Phase 1, was sold at a total consideration of CAD68,000,070.
9. We have prepared our valuation based on the following assumptions:
- (i) The property has a proper legal title;
 - (ii) All land premium and other costs of resettlement and public utilities services have been fully settled;
 - (iii) The property is free and clear of any environmental contaminations; and
 - (iv) The construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities.
10. In the valuation, we have considered the following comparables in the vicinity.

Residential

Address	Transaction Date	Unit Size (sq ft)	Sale price (CAD)	Unit price (CAD per sq ft)
28 Pemberton Ave 1000, Toronto	5/13/2024	1,000-1,199	670,000	609
35 Finch Ave E 2205, Toronto	2/7/2024	1,000-1,199	750,000	682
35 Finch Ave E 25025, Toronto	5/13/2024	1,000-1,199	780,000	709
35 Finch Ave E 905, Toronto	5/03/2024	1,000-1,199	770,000	700
5793 Yonge St Ph202, Toronto	3/14/2024	1,000-1,199	805,000	732

While the remaining unsold residential units of the property are substantially completed with relatively large areas (average saleable area is 1,113 sq ft per unit), we have selected all the completed residential condominium units sold from January 2024 to May 2024 in Newtonbrook East neighbourhood of North York, Toronto with similar size to the subject units as comparables. Those transacted units range approximately from 1,000 sq ft to 1,199 sq ft, and the transacted unit price ranges from CAD609 per sq ft to CAD732 per sq ft (on a saleable floor area basis).

Office

Subject office is located in a podium from level 3 to 7 underneath residential towers. The office (undivided with a total of 29,340 sq sf leasable area) will be leased unfinished.

In the course of our valuation for the office portion, we have identified and considered rental transactions of office units within North York, Toronto which is the subject locality.

Address	Date of Commencement of Lease	Unit Size (sq ft)	Net rent (CAD per sq ft)
5775 Yonge Street, Suite 1805, Toronto	1/1/2024	1,366	19.50
30 Lesmill Rd 5, Toronto	6/1/2024	2,900	19.95
26 Lesmill Rd 1B, Toronto	8/1/2023	2,852	12.00
1446 Don Mills Rd 240, Toronto	1/1/2024	6,649	11.00

We have chosen the recent comparables dated close to the valuation date in between August 1, 2023 and June 1, 2024. The comparable office unit size ranges from 1,366 sq ft to 6,649 sq ft with unit rent ranging from CAD11.00 per sq ft to CAD19.95 per sq ft (on a leasable floor area basis). Although the total approximate gross floor area for office use in the property is approximately 42,323 sq ft, the office portion of the property could be divided into smaller units similar to the comparables. Therefore, we consider the comparables to be appropriate.

In the course of our valuation, we adopted capitalization rate of 7.5% for office portion, which is in line with the Q1 2024 research reports from Colliers International and CBRE Group Inc, with the office cap rates in Toronto at 6.5%-7.5% and 8.0%, respectively.

Retail

The subject retail space (only one unit with leasable area 30,000 sq ft) is on ground floor which is currently being leased to a supermarket for 15 years subject to further renewal terms, with net rent of CAD40 per sq foot per annum for year 1-5, CAD45 for year 6-10 and CAD50 for year 11-15.

Therefore, leases to supermarkets are selected as comparables. While availability of supermarket rental comparables is limited, we have identified and considered rental transactions of supermarkets within the Greater Toronto Area, leased in the past 5 years. The sizes of the comparables are relatively similar to subject property.

Address	Unit Size (sq ft)	Contracted Net Rent (CAD per sq ft)
2150 McNicoll Avenue, ON M1V 0E3 (Supermarket)	60,832	37.37
93 Laird Dr, East York, ON M4G 3V1 (Supermarket)	28,780	40.62
3275 Hwy 7, Markham, ON L3R 3P9 (Supermarket)	47,716	35.67

In the course of our valuation, we adopted capitalization rate of 6.5% for retail portion, which is in line with the Q1 2024 research reports from Colliers International and CBRE Group Inc, with the retail cap rates in Toronto at 5.5%-6.5% (grocery stores) and 6.5%, respectively.