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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,

VALUATION OF 100% ECONOMIC INTEREST IN M2M PROJECT PHASE I

In accordance with your instructions, we have undertaken a valuation on behalf of China Aoyuan Group Limited ("**China Aoyuan**" or the "**Client**") to determine the market value of 100% economic interest in M2M Project Phase I ("**M2M Project Phase I**") under 5799 Yonge Street Limited Partnership ("**Partnership**") as of 18 March 2024 (the "**Valuation Date**").

The valuation will be used as reference on the circular dated 17 June 2024 (the "**Circular**") in regard to the possible disposal of the interest in M2M Project Phase I (the "**Possible Disposal**"). The valuation and findings in this report will be used for the abovementioned purpose only.

Basis of Valuation

Our valuation is carried out on a market value basis. 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.".

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We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. Our valuation was performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

Scope of Work

In conducting the valuation, we have

- coordinated with the Client or its representatives for the purposes of obtaining such information and documents as required for the valuation;
- discussed with the Client or its representatives in order to understand the background and rationale of the valuation assignment;
- discussed with the Client or its representatives and analyze financial information of the Partnership;
- conducted our valuation analysis based on our findings and understanding from the Client or its representatives; and
- prepared our valuation report, detailing our investigations, analysis, methodologies and assumptions which have been based upon in arriving at our opinion of value.

Sources of Information

Our valuation analysis is based on our discussion with the management of the Client during the course of our engagement and we have considered, reviewed and relied on the information provided and the publicly available sources. Major sources of information include the following:

- The Client's announcement relating to the major transaction – disposal of interest in the target group dated 13 May 2024 ("**Announcement**");
- Financial statements of the Partnership as of the Valuation Date ("**Management Accounts**");
- Property valuation report prepared independently by Knight Frank Petty Limited ("**Property Valuation**") as incorporated in Appendix II of the Circular;
- Valuation report regarding the interest of the M2M Project as of 31 December 2023 as prepared by PricewaterhouseCoopers Inc.; and
- Corporate structure of Ontario Aoyuan Property Limited (the "**Target Company**").

Background

According to the Announcement, the Possible Disposal refers to the selling of the TS 1 tracking shares of the Target Company, representing 100% of the economic interest in the M2M Project Phase 1 with a total consideration of Canadian Dollars (CAD)68,000,070. The Target Company is a company incorporated under the laws of Ontario of Canada with limited liability and is a wholly-owned subsidiary of the Client.

The M2M Project is located at 5799 Yonge Street in Toronto, Ontario and is being developed in three phases. M2M Project Phase 1 consists of a 34-storey tower and a 36-storey tower rising from a shared 8-storey podium. The podium will include retail and commercial space. M2M Project Phase 2 comprises two towers, a 34-storey tower and a 40-storey tower rising from a 9-storey podium. The podium will include retail and commercial space, in the case of the M2M Project Phase 2 only, a community recreation facility. The M2M Project Phase 3 has been approved for the construction of a multi-storey mixed use building.

According to the Announcement, the Partnership is a limited partnership formed under the laws of Ontario of Canada, which is principally engaged in property development in Canada and one of the developers of the M2M Project. The issued units of the Partnership are owned as to 99.99% by the Target Company.

Valuation Approaches

The value of an asset, business or business interest can be conducted by one or more of the three generally accepted valuation approaches: asset-based approach, market approach and income approach.

Asset Approach

A general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

Market Approach

A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables. For the market approach to be used, a sufficient number of comparable companies to make comparisons must be available, with the industry composition must be similar such that meaningful comparisons can be made.

Income Approach

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Among the three approaches, we considered the income approach as not an adequate approach for this valuation because this involves a lot of assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable positive profit or cash-flow projections. We also considered that the market approach as not applicable for the valuation, as there are insufficient relevant comparable companies or market transactions available in the marketplace. Thus, we determined that the asset approach was the most appropriate valuation approach to value the equity interest in the M2M Project Phase 1 under the Partnership. The adjusted net assets value method under the asset approach is applied in the valuation.

General Assumptions

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in our valuation analysis and in the preparation of the reported assessed figures. The assumptions are:

- The Client has appointed Knight Frank Petty Limited to perform the valuation of the properties in the M2M Project Phase 1, which we have adopted in the valuation of the economic interest in the M2M Project Phase 1 under the Partnership. Our scope of work does not cover the independent review and verification of the Property Valuation. Should the result of the Property Valuation changes, our valuation would be changed accordingly;

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;

- There will be no major changes in the current taxation law in the areas in which the Target Company or the Partnership conducting its operation, including the rate of tax payable and all applicable laws and regulations remains unchanged;

- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;

- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;

- The Target Company or the Partnership will remain free from claims and litigation against the business or their customers that will have a material impact on value;

- The Target Company or the Partnership is unaffected by any statutory notice and that operation of the Target Company or the Partnership gives, or will give, no rise to a contravention of any statutory requirements;

- The Target Company or the Partnership is not subject to any unusual or onerous restrictions or encumbrances;

- The potential bad debt arising from the operation of the Target Company or the Partnership, if any, will not materially affect the business operations.

Valuation Methodologies

In this valuation exercise, we utilize the adjusted net assets method under the Asset Approach to determine the equity value of the M2M Project Phase 1 under the Partnership. Under this method, we start with the reported book value of assets and liabilities and then adjust the book value of individual assets and liabilities, where necessary, to market value.

According to the Management Accounts, total assets and total liabilities attributable to the M2M Project Phase 1 under the Partnership as of the Valuation Date are amounted to CAD498,685,681 and CAD414,246,964, respectively, resulting in an equity interest of CAD84,438,717.

Key inputs and adjustments

The following summarizes the adjustments, if any, made to the assets and liabilities attributable to the M2M Project Phase 1 under the Partnership:

Property under development

According to the Management Accounts, the major asset is the property under development ("**PUD**") which refers to the M2M Project Phase 1 and was amounted to CAD427,576,353, representing approximately 86% of the total assets. We have made reference to the Property Valuation and we have adopted the estimated market value of CAD425,400,000 as the adjusted value for the PUD. The valuation procedures and assumptions can be found in Property Valuation.

Harmonized sales tax and other receivables

According to the Management Accounts, Harmonized Sales Tax (HST) and Other Receivables was amounted to CAD3.47 million, in which according to the management of the Client, the refund of CAD1.8 million of spending for City of Toronto was not expected to recover. In this regard, these receivables were written off in this valuation.

Bank balances and cash, deposits held in trust and restricted cash

According to the Management Accounts, bank balances and cash, deposits held in trust and restricted cash were amounted to CAD52,864,718. Since these items are in the form of money and are the most liquid asset, we have not made any adjustment and we have adopted the book value as its market value as at the Valuation Date.

Deferred sales commissions, prepaid expenses and deposits

According to the Management Accounts, deferred sales commissions, prepaid expenses and deposits were amounted to CAD14,777,316, representing the sales commissions paid to the real estate agents. We have assumed that no material errors in the accounting record as at the Valuation Date and therefore we have not made any adjustment to the item.

Amount due to related party

According to the Management Accounts, amount due to related party were amounted to CAD8,079 which was insignificant and therefore no adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

Bank borrowings

According to the Management Accounts, bank borrowings were amounted to CAD277,765,230. It represents the amount of construction loan borrowed for the M2M Project Phase 1. No adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

Deposits on real estate sales

According to the Management Accounts, deposits on real estate sales were amounted to CAD100,264,842. It represents the amount of deposits received from purchasers in relation to sales of the condo units. We have assumed that no material errors in the accounting record as of the Valuation Date and therefore we have not made any adjustment to the item.

Account payable and accrued liabilities

According to the Management Accounts, account payable and accrued liabilities were amounted to CAD36,208,813, representing the amount of construction work done by contractors but not yet paid; and the holdback payable amount to be released to contractors at project completion. These liabilities are settled either on demand or in short period of time and no material timing difference was noted. No adjustment was made and the book value as at the Valuation Date was adopted as its market value in the valuation.

Discount for lack of marketability

Discount for lack of marketability ("**DLOM**") reflects the ability of converting shares into immediate cash and is normally applied to the valuation of privately held companies. Compared to publicly listed companies, private companies do not have a known market price and is not readily marketable. Therefore, a privately held company is theoretically worth less than a public company with the same business, given other things being the same.

In determining the DLOM for the M2M Project Phase 1 under the Partnership, we have taken into account the business nature and the convertibility of the controlling interest of the M2M Project Phase 1. In addition, we have made reference to the report "Stout Restricted Stock Study Companion Guide (2023 Edition)" prepared by Stout Risius Ross, LLC, in which an average marketability discount of 20.5% is suggested. In view of the above, we adopted a DLOM of 20% in the valuation.

Market Value of M2M Project Phase 1 under the Partnership

The book value and the adjusted net assets value of the M2M Project Phase 1 under the Partnership as of the Valuation Date was illustrated as follows:

	Book Value (CAD)	**Adjustments**	**Market Value (CAD)**
Assets			
Bank balances and cash	15,036,086	–	15,036,086
Deposits held in trust	33,444,860	–	33,444,860
Restricted cash	4,383,772	–	4,383,772
Harmonized sales tax and other receivables	3,467,294	(1,800,000)	1,667,294
Prepaid expenses and deposits	14,777,316	–	14,777,316
Property under development	427,576,353	(2,176,353)	425,400,000
Total Assets	**498,685,681**	**(3,976,353)**	**494,709,328**
Liabilities			
Due to related party	(8,079)	–	(8,079)
Bank borrowings	(277,765,230)	–	(277,765,230)
Deposits on real estate sales	(100,264,842)	–	(100,264,842)
Accounts payable and accrued liabilities	(36,208,813)	–	(36,208,813)
Total liabilities	**(414,246,964)**	**-**	**(414,246,964)**
Net assets	**84,438,717**	**(3,976,353)**	**80,462,364**
Discount for lack of marketability			(16,092,473)
Market value as of Valuation Date			**64,369,891**
Market value as of Valuation Date, rounded			**64,400,000**

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Limiting Conditions

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

- Knight Frank Asset Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

- No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

- Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

- This valuation report has been prepared solely as reference on the Circular only.

- This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this valuation report is only for the purpose of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

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Remarks

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

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

Opinion of Value

Based on our analysis, it is our opinion that as of the Valuation Date, we are of the option that the market value of 100% economic interest of the M2M Project Phase I under the Partnership is reasonably represented in the amount of **CANADIAN DOLLARS SIXTY FOUR MILLION FOUR HUNDRED THOUSAND ONLY (CAD64,400,000)**.

Yours faithfully
For and on behalf of
Knight Frank Asset Appraisal Limited

Andrew C L Chan
CFA FRM MBA
Director
Corporate Valuation & Advisory

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
Executive Director
Head of China Valuation & Advisory

Notes:

1. Clement W M Leung, is a qualified valuer 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.

2. Andrew C L Chan CFA FRM MBA has over 22 years' experience in corporate valuation, investment and financial analysis and has been participating in various valuation projects in the People's Republic of China, Hong Kong and Singapore.