



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 801, 8/F., On Hong Commercial Building
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VALUATION REPORT

THE DEVELOPMENT SITE
SITUATED AT
NOS.18-20 SZE SHAN STREET
KOWLOON
HONG KONG

AS AT
31 MARCH 2024

FOR

WANG ON GROUP LIMITED

PREPARED BY
ASSET APPRAISAL LIMITED
21 JUNE 2024

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Our Ref : AAL/AC/11233a/24

21 June 2024

The Board of Directors

Wang On Group Limited
Suite 3202, 32/F, Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon

Dear Sirs,

Re: Valuation of the development site situated at Nos. 18-20 Sze Shan Street, Kowloon, Hong Kong

In accordance with the instructions from Wang On Group Limited (the “Company”) to value the property development site (the “Seed Project”) held by the Project Company, we confirm that we have carried out inspection of the Seed Project, 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 Seed Project as at 31 March 2024 (the “Valuation Date”).

BASIS OF VALUATION

Our valuation of the Seed Project represents its market value 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 wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

TITLESHP

We have caused searches to be made at the appropriate Land Registry for the Seed Project. However, we have not verified ownerships of the Seed Project or to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION METHODOLOGY

In valuing the Seed Project as a development site, we have adopted the Market Approach assuming sale of each of the Seed Project in its existing state by making reference to comparable sales transactions of similar properties as identified on the market. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Market Approach is a commonly adopted approach for valuation of development land where relevant comparable transactions as land sale evidence are available for reference to arrive at the market value. This approach rests on the market evidences as the best value indicator that can be extrapolated to similar properties. In the course of our valuation based on market approach, we have analyzed each of the comparable transactions for various factors including property location and time of transaction and have made necessary adjustments on the transaction prices. Upward adjustment is made if the comparable is inferior to the Seed Project and downward adjustment is made if the comparable is superior to the Seed Project.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Seed Project on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Seed Project.

The market value of the Seed Project has been arrived at on the basis that the owner has completed all necessary applications to, gone through all procedures with and paid off all land premium to the Government authorities such that the Seed Project is permitted to be developed into a comprehensive residential development embedded with residential, commercial and social welfare components as at the Valuation Date.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Seed Project nor for any expenses or taxation which may be incurred in holding them. It is assumed that the Seed Project is free from encumbrances, restrictions, outgoing of an onerous nature and any third party rights, which could affect its value.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Seed Project but have assumed that the site areas and the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Seed Project were last inspected on 12 April 2024 by the undersigned. She has inspected the exterior and, where possible, the interior of the buildings and structures of the Seed Project. However, no structural survey has been made for them. We are not, however, able to report whether the building and structures inspected by her are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. During the site inspection, she has ascertained the following matters of the Seed Project as at the date of site inspection:

- the general environment and development conditions of the area in which the Seed Project is situated;
- the existing development status and the existing uses of the Seed Project;
- the occupancy of the Seed Project;
- the facilities provided by the Seed Project; and
- the existence of any closure order and resumption order affixed to the Seed Project.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

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 reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Seed Project, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

All monetary amounts in this report are denominated in Hong Kong Dollars.

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

A handwritten signature in dark ink, appearing to be 'Sandra Lau', written in a cursive style.

Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property interests held by the Project Company for future development

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2024 HK\$
Nos. 18-20 Sze Shan Street Kowloon Hong Kong	The Seed Project comprises a development site with an area of approximately 3,872.20 square metres on which a 4-storey industrial building with a total gross floor area (GFA) of approximately 12,579.04 square metres is erected. The building was completed in about 1979.	The Seed Project is currently vacant.	1,820,000,000 See note 8 below
Yau Tong Inland Lot Nos. 30 and 31	It is planned to be redeveloped into two 23-storey residential towers surmounting a 3-storey podium accommodating shops, services and elderly care centre plus two basement levels for car parking and loading/unloading spaces. The proposed development shall have a total GFA of 30,074.69 square metres of which 25,036.99 square metres, 3,871.70 square metres and 1,166.00 square metres are attributable to residential units, shop/service/eatery units and elderly care centre respectively.	The subject land lot of the Seed Project is roughly rectangular shape and is bounded by traffic road including Sze Shan Street and Shung Yiu Street along all its site frontage. It is falling within the central location of Yau Tong Industrial Area and generally surrounded by industrial buildings. Aligning with the planning intention of the industrial area, an increasing trend is observed in the transformation from industrial buildings within the area to a residential neighbourhood and various residential developments have been emerged in the area. Besides piecemeal redevelopment projects, massive housing development has been proposed within the Yau Tong Bay Comprehensive Development Area situated at the north of the Seed Project. Existing shopping arcades nearby the Seed Project are Domain and Lei Yue Mun Plaza which are situated adjacent to the MTR (Yau Tong) Station and are about 0.5 kilometres at the north of the Seed Project.	

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2024 HK\$
	Yau Tong Inland Lot Nos. 30 is held under Conditions of Grant No. 10928 for a term of 99 years commencing on 1 July 1898.		
	Yau Tong Inland Lot Nos. 31 is held under Conditions of Grant No. 10929 for a term of 99 years commencing on 1 July 1898.		
	The lease terms of all the above Government leases have been statutorily extended to 30 June 2046. The prevailing total annual Government rent of the Seed Project is HK\$304,038.		

Notes:

1. The registered owner of the Seed Project is New Grant Limited or the Project Company registered via various assignments set out as follows:
 - memorial no. 22020701280027 dated 13 January 2022;
 - memorial no. 22020802020015 dated 13 January 2022;
 - memorial no. 22020802020021 dated 13 January 2022;
 - memorial no. 22020802020030 dated 13 January 2022;
 - memorial no. 22020802020045 dated 13 January 2022;
 - memorial no. 22020802020072 dated 13 January 2022;
 - memorial no. 22020802020093 dated 13 January 2022;
 - memorial no. 22020802020103 dated 13 January 2022;
 - memorial no. 22020802020117 dated 13 January 2022;
 - memorial no. 22020802020138 dated 13 January 2022;
 - memorial no. 22020802020141 dated 13 January 2022;
 - memorial no. 22020802020157 dated 13 January 2022;
 - memorial no. 22020802020161 dated 13 January 2022;
 - memorial no. 22031701160032 dated 28 February 2022;
 - memorial no. 22063001350047 dated 31 May 2022;
 - memorial no. 22111101200048 dated 24 October 2022;
 - memorial no. 22122001030059 dated 30 November 2022;
 - memorial no. 22122301170019 dated 2 December 2022;
 - memorial no. 22122301170026 dated 2 December 2022;
 - memorial no. 23062001230046 dated 29 May 2023;
 - memorial no. 23062001230065 dated 29 May 2023; and
 - memorial no. 23062301360029 dated 31 May 2023.

2. The Seed Project other than Unit B, D, F, H, Car Parking Space Nos. C1, C2, C4 and C5 on Lower Ground Floor, Unit N on Middle Ground Floor and Car Parking Space Nos. No. C10 on Upper Ground Floor thereof is subject to a mortgage in favour of Dah Sing Bank, Limited registered via memorial no. 22020802020174 dated 13 January 2022.
3. Unit B, D, F, H, Car Parking Space Nos. C1, C2, C4 and C5 on Lower Ground Floor, Unit N on Middle Ground Floor and Car Parking Space Nos. No. C10 on Upper Ground Floor of the Seed Project are subject to a mortgage in favour of Chiyu Banking Corporation Limited registered via memorial no. 231100500610038 dated 29 September 2023 and an assignment of sale proceeds and rental proceeds in favour of Chiyu Banking Corporation Limited registered via memorial no. 231100500610042 dated 29 September 2023.
4. The Seed Project is falling within an area zoned "Residential (Group E)" on the Approved Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/27 subject to a maximum domestic plot ratio of 5.0 and a maximum non-domestic plot ratio of 1.0.
5. Subject to the prevailing plot ratio restriction imposed on the Seed Project as mentioned in note 4 above, a planning application (Application No. A/K15/129) under Section 16 of the Town Planning Ordinance for relaxing plot ratio restriction of the Seed Project has been lodged for seeking permission from the Town Planning Board. Broad development parameters underlying the aforesaid planning application are set out as follows:
 - relaxing domestic GFA and plot ratio of the Seed Project to 23,233.2 square metres and not more than 6 respectively; and
 - relaxing non-domestic GFA and plot ratio of the Seed Project to 5,037.7 square metres and not more than 1.301 respectively

As revealed from a letter issued by the Town Planning Board on 16 February 2024, the application for permission under Section 16 of the Town Planning Ordinance was approved by the Town Planning Board. The permission is valid until 26 January 2028 and is subject to the following conditions:

- the submission of a revised environmental assessment to address the potential air quality and noise impacts and industrial/residential interface environmental problems, and the implementation of the environmental mitigation measures identified therein for the proposed development to the satisfaction of the Director of Environmental Protection or of the Town Planning Board;
- the submission of a revised land contamination assessment and the implementation of the remediation measures identified therein prior to the commencement of the construction works for the proposed development to the satisfaction of the Director of Environmental Protection or of the Town Planning Board;
- the submission of a revised traffic impact assessment and the implementation of traffic mitigation measures identified therein for the proposed development to the satisfaction of the Commissioner for Transport or of the Town Planning Board;
- the design and provision of vehicular access, vehicle parking spaces, loading/unloading facilities and maneuvering spaces for the proposed development to the Commissioner for Transport or of the Town Planning Board; and
- the provision of a day centre for the elderly as proposed by the applicant to the satisfaction of the Director or Social Welfare or the Town Planning Board.

6. As provided in the Government leases namely Conditions of Grant No. 10928 of Yau Tong Inland Lot No. 30 and Conditions of Grant No. 10929 of Yau Tong Inland Lot No. 31 of the Seed Project, the land lots are subject to the following salient land grant conditions:
- no building or buildings shall be erected on the subject land lots except a factory or factories or a warehouse or warehouses or both, ancillary offices and such quarters as may be required for watchmen or caretakers are essential to the safety and security of the buildings;
 - the subject land lots or any buildings thereon or any part of them shall not be used for any purpose other than for industrial or godown purposes or both excluding any trade declared to be an offensive trade under the Public Health and Urban Services Ordinance or any enactment amending the same or substituted therefor;
 - no part of any structure erected or to be erected on the subject land lots shall exceed a height of 100 feet above the principal datum of Hong Kong; and
 - space shall be provided within the subject land lots for parking. Loading and unloading of vehicles (including containers on trailers with their prime movers) at the rate of not less than one vehicle for each 10,000 square feet or part thereof of gross floor area, excluding any floor area to be used for this purpose of any building erected on the land lots or at the rate of not less than one vehicle for each 5,000 square feet or part thereof of the site area, whichever rate provides the greater amount of such space. Of the space provided for parking, loading and unloading, one half shall be used for the parking of private cars and light vans and the remaining space for parking, loading and unloading of lorries (at least one of them is container on a trailer with its prime mover).
7. Subject to the prevailing land grant conditions as mentioned in note 6 above, relevant applications to the Lands Department are required for modification of land grant conditions or issuing of new Government land lease with terms and conditions aligning with the proposed redevelopment for residential and commercial uses. Under the prevailing administrative policies, land premium as well as administrative fees may be charged by the Lands Department in undertaking such applications.
8. Our valuation of the Seed Project has been arrived at on the following basis:
- the existing industrial building of the Seed Project can be re-developed into a residential/commercial development with a total GFA of 30,074.69 square metres as per the board development parameters as mentioned in note 5 above;
 - the owner has completed all applications and obtained a valid land grant with a tenor of 50 years from the Government for undertaking the aforesaid redevelopment; and
 - all necessary land premium payment in associate with the application of the valid land grant has been settled in full.
9. In our valuation of the Seed Project adopting market approach, we have identified and made reference to relevant comparable land transactions based on the following selection criteria:
- Transaction time – within the past 12 months
 - Property location – within urban area conveniently accessible by mass transit railways
 - Land use – land parcel zoned for residential use by the Town Planning Department
 - Size – not less than 150 square metres such that standalone development into medium to high rise residential building is pragmatic

10. Given the above selection criteria, the following comparable land transactions meeting those criteria have been considered in our valuation. Their accommodation values (AV), being the price per square metre (m²) of developable GFA, have been adopted as quantitative benchmark for analysis purpose:

Comparable	1	2	3	4	5	6
Date of Transaction	21 Nov 23	8 Nov 23	26 Oct 23	13 Sep 23	28 Apr 23	13 Sep 23
Location	18 Sau Wa Fong	21-23 Apleichau Main Street	21-24 Chiu Kwong Street	177-191 Tai Kok Tsui Road	45-63 Ting Fu Street	Muk Lai Street (New Kowloon Inland Lot 6590)
Distance from nearest railway station	400 metres from Wanchai Station	300 metres from Lei Tung Station	300 metres from Sai Ying Pun Station	750 metres from Olympic Station	500 metres from Ngau Tau Kok Station	750 metres from Kai Tak Station
Town Planning Zone	Residential (C)	Residential (A)2	Residential (A) 6	Residential (A) 1	Residential (A)	Residential (A) 6
Transaction Price (HK\$ Mil)	136.10	137.122	254.00	697.00	452.50	5,350.00
Site Area (m ²)	312	170	277	836	706	13,499
Plot Ratio	5.00	8.89	9.68	9.00	9.00	6.83
Developable GFA (m ²)	1,560	1,511	2,681	7,524	6,354	92,198
AV (HK\$/m ² of GFA)	87,244	90,731	94,728	92,637	71,215	58,027
Source	Land Registry	Land Registry	Land Registry	Land Registry	Land Registry	Land Registry
Adjustment (%)	-30%	-25%	-30%	-25%	-15%	-10%
Adjusted AV ((HK\$/m ² of GFA)	61,071	68,048	66,310	69,478	60,533	52,224

All the above comparable transactions are meeting the aforesaid selection criteria in term of transaction time, location, land use and size. We believe that none of the transactions that meeting the selection criteria is excluded and the list of comparable transactions is full and exhaustive and analysis of them provides a general reference as to the market valuation of the Seed Project.

Adjustments to comparable land transactions are constituted by locational factor and time factor. Regarding location factor, it is submitted that land parcels situated closer to central business districts are priced higher than those situated further away. On the locational factor front, Comparable Nos. 1, 2, 3 and 4 are considered to be superior to the Seed Project such that downward adjustments on them are warranted whilst Comparable Nos. 5 and 6 are considered to be at par with the Seed Project such that no downward adjustment is necessary. Regarding time factor, it is observed that the residential sector of Hong Kong was experiencing market downturn over the past 12-month period as reflected by downward trend as exhibited by the price indices on private domestic property market released by the Rating and Valuation Department. Since all land comparable transactions were struck within 12-month period ahead of the Valuation Date, downward adjustments on all the comparables are warranted.

11. Based on the above analysis, the market value of the Seed Project is figured out as follows:

Adopted AV (A)	:	HK\$62,940 (<i>Note a</i>)
Developable GFA (B)	:	28,909m ² (<i>Note b</i>)
Market Value (A × B)	:	HK\$1,819,532,460
Round to	:	HK\$1,820,000,000

Notes:

- (a) The adopted AV represents the sample mean of the adjusted comparable AVs.
- (b) Developable GFA is the total GFA of 30,075m² of the redevelopment of the Seed Project net of the GFA of 1,166m² attributable to the elderly care centre to be provided within the redevelopment of the Seed Project.