Ignite Capital

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Central, Hong Kong

April 30, 2025

To: The Independent Board Committee and the Independent Shareholders of Redsun Services Group Limited

Dear Sirs or Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITIONS OF (1) THE TARGET PARKING SPACES; AND (2) EQUITY INTERESTS IN TARGET COMPANIES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Parking Spaces Transfer Framework Agreement and Equity Transfer Agreements, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated April 30, 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

Parking Spaces Transfer Framework Agreement

On February 17, 2025, the Company and the Seller entered into the Parking Spaces Transfer Framework Agreement, pursuant to which the Company conditionally agreed to purchase and the Seller conditionally agreed to sell the property right or the right of use (as the case may be) of the Target Parking Spaces, subject to the terms and conditions of the Parking Spaces Transfer Framework Agreement.

Equity Transfer Agreements

On February 17, 2025, Nanjing Hong Life (an indirect wholly-owned subsidiary of the Company) and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang (all being indirect wholly-owned subsidiaries of the Seller) entered into the respective Equity Transfer Agreements, pursuant to which Nanjing Hong Life conditionally agreed to purchase, and each of Chengdu Hong Yang Jin Xing, Xuzhou Hong Qi and Nanjing Hong Tai Pu Yang conditionally agreed to sell (a) 70% of the equity interests in Target Company A held by Chengdu Hong Yang Jin Xing; (b) 20% of the equity interests in Target Company B held by Xuzhou Hong Qi; and (c) 19% of the equity interests in Target Company C held by Nanjing Hong Tai Pu Yang, together with all other assets, liabilities and owners' equity attached to the equity interests abovementioned, subject to the terms and conditions of the respective Equity Transfer Agreements.

Listing Rules Implications

Given that the transactions under the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements were entered into between the Group and the Seller Group, among other parties, within 12 months and are of a same nature, the Acquisitions constitute a series of transactions which are required to be aggregated pursuant to the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions exceeds 100%, the Acquisitions constitute a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the date of the Circular, the Seller is indirectly held as to 71.88% by Mr. Zeng Huansha, a Controlling Shareholder. Accordingly, the Seller is an associate of Mr. Zeng Huansha and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisitions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, Redsun Services Group (Holdings) Limited is a controlling Shareholder, directly holding approximately 72.77% of the entire issued share capital of the Company. Redsun Services Group (Holdings) Limited is wholly owned by Hong Yang Group Company Limited, which in turn is wholly owned by Hong Yang International Limited, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) Limited (a company wholly owned by Mr. Zeng Huansha) and Mr. Zeng Huansha, respectively. Accordingly, Redsun Services Group (Holdings) Limited and its associates will be required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the Agreements and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo, has been established to advise the Independent Shareholders in respect of the Parking Spaces Transfer Framework Agreement, Equity Transfer Agreements and the transactions contemplated thereunder and to make recommendations as to, among others, whether the terms of the Parking Spaces Transfer Framework Agreement, Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the Seller, the Seller Group or any of their respective connected persons and close associates or other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately prior to this letter, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provide any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Seller, the Seller Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Company's annual results announcement for the year ended 31 December ("**FY**") 2024 (the "**2024 Annual Results Announcement**");

(ii) the Company's annual reports for FY2023 (the "**2023 Annual Report**");

(iii) the Parking Spaces Transfer Framework Agreement;

(iv) the Equity Transfer Agreements;

(v) the property valuation reports prepared by the Independent Valuer (the "**Valuation Reports**") as set out in the Appendix VI to the Circular;

(vi) the financial statements of the Target Companies (the "**Target Companies Financial Statements**") as set out in the Appendix II to the Circular;

(vii) the Circular; and

(viii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Parking Spaces Transfer Framework Agreements and the Equity Transfer Agreement, and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Parking Spaces Transfer Framework Agreement, Equity Transfer Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is a well-recognized comprehensive community service provider in Jiangsu province, China, with balanced property management abilities in the management of residential and commercial properties. The Company provides a wide range of property management services to property owners, residents and tenants, value-added services to non-property owners, primarily property developers, and other property management companies, and community value-added services to residential property owners and residents. The Company is indirectly controlled by Mr. Zeng Huansha.

Set out in Table 1 below is certain financial information of the Group for three years ended 31 December 2024 as extracted from the 2024 Annual Results Announcement and the 2023 Annual Report.

Table 1: Financial information of the Group

		Audited	
	FY2024	**FY2023**	**FY2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	1,026,678	1,063,634	1,103,122
– *Property management services*	*822,738*	*840,174*	*834,730*
– *Value-added services to non-property owners*	*42,697*	*66,857*	*124,612*
– *Community value-added services*	*161,243*	*156,603*	*143,780*
Profit attributable to equity shareholders of the Company	14,386	10,865	91,990

Source: The 2024 Annual Results Announcement and 2023 Annual Report

FY2024 vs FY2023

For FY2024, the Group's revenue amounted to approximately RMB1,026.7 million, representing a slight decrease of approximately 3.6% from approximately RMB1,063.6 million for FY2023. The decrease was mainly attributable to the decrease in the Group's revenue from providing value-added services to non-property owners. From the segment perspective, the Group's revenue from providing property management services amounted to RMB822.8 million, representing a decrease of 2.1% from RMB840.2 million for the corresponding period in 2023. This was mainly attributable to the decrease in revenue from commercial property management services as a result of the Group's withdrawal from certain commercial property management projects. The Group's revenue from value-added services to non-property owners amounted to approximately RMB42.7 million for FY2024, representing a decrease of approximately 36.2% from approximately RMB66.9 million for FY2023. This was mainly attributable to the decrease of sales venue projects caused by the real estate projects being delivered one after another. The Group's revenue from community value-added services achieved substantial growth, amounting to RMB161.2 million, representing an increase of 2.9% from RMB156.6 million for FY2023. During FY2024, the increase in revenue from community value-added services was mainly attributable to the increase in revenue from project common area resource. Overall, the profit attributable to equity shareholders of the Company for FY2024 was approximately RMB14.4 million, representing an increase of approximately 32.1% from approximately RMB10.9 million for FY2023. Such increase in the profit attributable to equity shareholders of the Company for FY2024 was mainly due to the Group's net impairment losses on financial assets significantly narrowed from approximately RMB119.0 million in FY2023 to approximately RMB62.5 million in FY2024, offsetting by the decrease in the gross profit of the Group from approximately RMB252.4 million in FY2023 to approximately RMB199.6 million in FY2024.

FY2023 vs FY2022

During FY2023, the Group's revenue amounted to approximately RMB1,063.6 million, representing a decrease of approximately 3.6% from approximately RMB1,103.1 million for FY 2022. The decrease was mainly attributable to the decrease in the Group's revenue from providing value-added services to non-property owners. From the segment perspective, the Group's revenue from providing property management services amounted to RMB840.2 million for FY2023, representing an increase of approximately 0.7% from approximately RMB834.7 million for FY2022. This was mainly attributable to the rapid increase in total GFA under management in line with the Group's business expansion. The Group's revenue from value-added services to non-property owners amounted to approximately RMB66.9 million for FY2023, representing a decrease of approximately 46.3% from approximately RMB124.6 million for FY2022. Such decrease was mainly attributable to the decrease of sales venue projects caused by the real estate projects being delivered one after another. Meanwhile. the Group's revenue from community value-added services achieved substantial growth, amounting to approximately RMB156.6 million for FY2023, representing an increase of approximately 8.9% from approximately RMB143.8 million for FY2022. During FY2023, the profit attributable to the equity shareholders of the Company amounted to approximately RMB10.9 million, representing a decrease of approximately 88.2% as compared to FY2022, mainly attributable to the increase in impairment allowance for receivables from related parties as affected by the market environment of the real estate industry, as well as the decrease in demand for property development project services and the decrease in revenue from value-added services to non-property owners.

Set out in Table 2 below is certain financial position information of the Group as at 30 June 2024 and 31 December 2023 which were extracted from the 2024 Annual Results Announcement.

Table 2: Financial positions of the Group

	Audited	
	As at 31 December 2024	**As at 31 December 2023**
	(RMB'000)	*(RMB'000)*
Non-current assets	283,121	287,338
Current assets	1,375,200	1,406,548
Current liabilities	719,008	747,421
Non-current liabilities	30,235	47,893
Equity attributable to equity shareholders of the Company	898,058	883,672

Source: The 2024 Annual Results Announcement

The non-current assets of the Group amounted approximately RMB283.1 million as at 31 December 2024, representing a slight decrease of approximately 1.5% from RMB287.3 million as at 31 December 2023. The current assets of the Group as at 31 December 2024 were approximately RMB1,375.2 million, representing a slight decrease of approximately 2.2% from RMB1406.5 million as at 31 December 2023. The current liabilities of the Group were recorded approximately RMB719.0 million as at 31 December 2024, which shown a decrease of approximately 3.8% from approximately RMB747.4 million as at 31 December 2023. The non-current liabilities recorded an obvious decrease of approximately 36.9% from approximately RMB47.9 million as at 31 December 2023 to approximately RMB30.2 million as at 31 December 2024.

Based on the above, the equity attributable to the equity shareholders of the Company as at 31 December 2024 amounted to approximately RMB898.1 million, representing an increase of approximately 1.6% from approximately RMB883.7 million as at 31 December 2023.

2. Information of the Target Parking Spaces

The Target Parking Spaces are a total of 6,007 parking spaces located in Jiangsu, Anhui, Sichuan, Jiangxi, Henan, Guangdong and Hubei Province in the PRC, subject to entering into of separate transfer agreements for each project upon completion. As at the date of the Circular, the Target Parking Spaces are held by the Seller Group. There is no original acquisition cost for the Target Parking Spaces as they form part of the property project developed by the Seller.

As at December 31, 2024, the book value of the Target Parking Spaces is RMB238.07 million. The net profits attributable to the Target Parking Spaces for the years ended December 31, 2023 and 2024 are nil, as the Target Parking Spaces have not yet been put up for sale or lease.

For further information on the Target Parking Spaces, please refer to the section headed "INFORMATION ON THE TARGET PARKING SPACES" of in the Letter from the Board.

3. Information of the Target Companies

Target Company A

Target Company A was established in the PRC in 2020 and an indirect non-wholly-owned subsidiary of the Seller. Target Company A principally engages in property development. As at the date of the Circular and immediately before the completion of the Equity Transfer, Target Company A is owned by Chengdu Hong Yang Jin Xing and Sichuan Esheng as to 70% and 30% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Chengdu Hong Yang Jin Xing is an indirect wholly-owned subsidiary of the Seller; and (ii) Sichuan Esheng is ultimately controlled by Mr. Xiong Jianhua (熊建華), who is an independent third party of the Company.

Set out below are the financial information of Target Company A for the years ended December 31, 2024 and 2023:

	For the year ended December 31, 2024 *RMB'000*	**For the year ended December 31, 2023** *RMB'000*
Revenue	486,684	651,128
Net profit/(loss) before taxation and extraordinary items	(1,587)	16,199
Net profit/(loss) after taxation and extraordinary items	(17,371)	(9,586)

The net asset value and the total asset value of Target Company A as at December 31, 2024 were approximately RMB151.71 million and RMB472.35 million respectively.

Details of property projects held by Target Company A (the "**Target Company A Project**") as at December 31, 2024 are set out as below:

Location	**Latest development stage**	**Land use**	**Total gross floor areas (sq.m.)**
Pengzhou City, Sichuan Province	Final phase of sale	Residential and commercial	213,560.43

Target Company B

Target Company B was established in the PRC in 2020 and an associate of the Seller. Target Company B principally engages in property development. As at the date of the Circular and immediately before the completion of the Equity Transfer, Target Company B is owned by Yancheng Tongjia, Wuxi Hengyuan and Xuzhou Hong Qi as to 60%, 20% and 20% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Yancheng Tongjia is ultimately controlled by Mr. Shi Weiwei (施為偉), who is an independent third party of the Company; (ii) Wuxi Hengyuan is a subsidiary of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: SZ.000656), an independent third party of the Company; and (iii) Xuzhou Hong Qi is an indirect wholly-owned subsidiary of the Seller.

Set out below are the financial information of Target Company B for the years ended December 31, 2024 and 2023:

	For the year ended December 31, 2024 *RMB'000*	**For the year ended December 31, 2023** *RMB'000*
Revenue	837,798	1,091,499
Net profit/(loss) before taxation and extraordinary items	(25,347)	210,199
Net profit/(loss) after taxation and extraordinary items	(70,295)	117,495

The net asset value and the total asset value of Target Company B as at December 31, 2024 were approximately RMB70.25 million and RMB1,208.76 million respectively.

Target Company B recorded revenue and net profit in 2023 and 2024 as a result of phased project deliveries. While some properties remain under construction, a portion has been completed and delivered, generating revenue and profit accordingly. As at the date of this circular, Target Company B held one property project (the "**Target Company B Project**") with total gross floor areas of 434,029.89 sq.m. Details of the Target Company B Project as at date of the circular are set out as below:

Location	**Land use**	**Latest development stage**	**Total gross floor areas (sq.m.)**	**Expected completion time**
Suqian City, Jiangsu Province	Residential and commercial	Delivered	267,654.99	/
		Under construction	32,084.98	Year end of 2025
			134,289.92	Year end of 2026

Target Company C

Target Company C was established in the PRC in 2018 and a joint venture of the Seller. Target Company C principally engages in property development. As at the date of the Circular and immediately before the completion of the Equity Transfer, Target Company C is owned by Nanjing Qicheng, Nanjing Jinyao, Jurong Yifeng, Nanjing Yuyang and Nanjing Hong Tai Pu Yang as to 23%, 20%, 19%, 19% and 19% respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Nanjing Qicheng is controlled by Shanghai Yinyi Construction Management Co., Ltd.* (上海垠壹建設管理有限公司), which is owned equally by Shanghai Yuantongkai Enterprise Management Service Co., Ltd.* (上海沅通凱企業管理服務有限公司) (ultimately wholly-owned by Shanghai Xiba Enterprise Management Service Co., Ltd.* (上海曦霸企管理服務有限公司)) and Shanghai Weihan Enterprise Development Co., Ltd.* (上海維晗企業發展有限公司) (ultimately wholly-owned by Nanjing Changshenghe Enterprise Management Co., Ltd.* (南京昌勝和企業管理有限公司)) as to 50% each, and all of these entities are independent third parties of the Company; (ii) Nanjing Jinyao is controlled by Gemdale Corporation (金地(集團)股份有限公司), whose shares are listing on the Shanghai Stock Exchange (stock code:SH.600383), an independent third party of the Company; (iii) Jurong Yifeng is a subsidiary of Jinke Property Group Co., Ltd., an independent third party of the Company; (iv) Nanjing Yuyang is a subsidiary of Yango Group Co., Ltd. (陽光城集團股份有限公司), whose shares were previously listed on the Shenzhen Stock Exchange (previous stock code: 000671) but subsequently delisted in August 2023, which is ultimately controlled by Ms. Wu Jie (吳潔), an independent third party of the Company; and (v) Nanjing Hong Tai Pu Yang is an indirect wholly-owned subsidiary of the Seller.

Set out below are the financial information of Target Company C for the years ended December 31, 2024 and 2023:

	For the year ended December 31, 2024	**For the year ended December 31, 2023**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	–	–
Net profit/(loss) before taxation and extraordinary items	(1)	(1)
Net profit/(loss) after taxation and extraordinary items	(1)	(1)

The net liabilities and the total assets of Target Company C as at December 31, 2024 were approximately RMB105.53 million and RMB205.52 million respectively.

As at the date of the circular, Target Company C held a land (the "**Land**") with total areas of 38,731 sq.m. for both residential and commercial use, which was planned for future development in Jurong City, Jiangsu Province. As disclosed in the Circular, at the date of the Circular, Target Company C has no concrete development plan for the Land, and the final decision will depend on the prevailing market conditions and industry trends. Alternatively, the Land may be considered for sale when a suitable opportunity arises.

For details of the financial information of each of the Target Companies, please refer to the Appendix II to this Circular.

4. Information of the Parties

Nanjing Hong Life

Nanjing Hong Life is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. Nanjing Hong Life is principally engaged in the business of real estate consulting, sales and leasing agency services.

The Seller

The Seller is a leading comprehensive property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties. As of the date of this circular, the Seller is indirectly held as to 71.88% by Mr. Zeng Huansha, a Controlling Shareholder.

Chengdu Hong Yang Jin Xing

Chengdu Hong Yang Jin Xing is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Chengdu Hong Yang Jin Xing is principally engaged in the business of real estate development, operation and brokerage. As of the date of this circular and immediately before the completion of the Equity Transfer, it is interested in 70% of equity interest in Target Company A.

Xuzhou Hong Qi

Xuzhou Hong Qi is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Xuzhou Hong Qi is principally engaged in the business of real estate development and sales, housing rental and business information consulting services. As of the date of this circular and immediately before the completion of the Equity Transfer, it is interested in 20% of equity interest in Target Company B.

Nanjing Hong Tai Pu Yang

Nanjing Hong Tai Pu Yang is a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Seller. Nanjing Hong Tai Pu Yang is principally engaged in the business of real estate development, operation and sales and business management services. As of the date of this circular and immediately before the completion of the Equity Transfer, it is interested in 19% of equity interest in Target Company C.

5. Reasons for and benefits of the Acquisitions

5.1 Acquisition of the Target Parking Spaces

The PRC Automobile and Parking Space Industry

The Company provides community value added services to residential property owners and residents to improve their living experiences, whereby provision of sales and leasing of parking spaces constitute a major of the services. According to the Management, the Company is of the view that the demand for sales and leasing of parking spaces sales in the PRC will remain positive in the foreseeable future. In conducting our independent analysis, we have primarily focused on assessing the future demand for automobiles in the PRC, which shall in turn drive the future demand for the sales and leasing of car parking spaces in the PRC.

With reference to the statistics published by the National Bureau of Statistics of the PRC (the "**Statistics Bureau"**) (http://www.stats.gov.cn/), the gross domestic product (the "**GDP**") in the PRC for 2024 exceeded RMB130 billion for the first time and reached approximately RMB134.9 billion, representing an increase of approximately 5.0% over the previous year at constant prices. In addition, the retail sales value of automobiles in the PRC has exhibited year-on-year growths of approximately 3.5% in 2024. Furthermore, the number of automobile ownership for civilian use in the PRC have exhibited year-on-year growths of approximately 6.0% in 2022 and approximately 5.5% in 2023, indicating a stable growth in the number of automobiles ownership for civilian use in the PRC. According to "Economic and Financial Outlook Report 2025" which was published by Bank of China Research Institute in November 2024, the gross domestic product growth rate is expected to be approximately 5% for 2025, while consumption will be the main engine of economic growth, which will benefit the retail sales of social consumer goods. At the same time, as forecasted by the China Association of Automobile Manufacturers ("**中國汽車工業協會**"), the total automobile sales in the PRC are expected to reach 32.9 million units with a year-on-year increase of 4.7% in 2025, which is driven by the favorable factors such as the continued releases of macro supporting and consumer goods upgrade polices, and the continuation of tax exemption policy for the purchases of the new energy vehicles.

On the policy side, the PRC government has been implementing policies and measures to continuously stimulate the consumption of automobile in the PRC in the recent years. On 20 July 2023, the National Development and Reform Commission (https://www.ndrc.gov.cn/) and the relevant departments jointly formulated and released《關于促進汽車消費的若干措施》("**Several Measures of Promoting the Automobile Consumption**") (the "**Measures**"), which aims to promote automobile consumption, improve and support the sustainable development of the automotive market in the PRC. The Measures, among others, promote the replacement of aging vehicles, reduce the purchase and usage cost of new energy vehicles and encourage local governments to expand the supply of parking spaces. All regions and relevant departments are urged to promptly introduce supporting policies and measures to ensure the effective implementation of the Measures. Meanwhile, we also note from the Official Website of China Government ("**中華人民共和國政府網**") that the policy for reduction in automobile purchase tax for new energy automobiles would be extended to the end of 2027. In details, automobiles purchase tax will be fully exempted for purchases of new energy automobiles in 2024 and 2025, whilst purchases of new energy automobiles in 2026 and 2027 enjoy 50% reduction in the automobiles purchase tax. This policy is aimed to, among others, extend the policy for reduction in automobiles purchase tax, improve market environment, further stimulate the potential consumption and enhancing the development of new energy automobile industry.

Moreover, we have also conducted independently research on the demand of parking space in PRC. According to《全國停車場分析報告》("**The Analysis Report on the National Parking Lots***") jointly published in January 2022 by AutoNavi Software Co., Ltd. (http://www.autonavi.com), a Chinese web mapping, navigation and location-based services provider founded in 2001, and the Transportation Research Institute of Tsinghua University, while more than one million parking lots had been built in the PRC, there was still a shortage of parking spaces with a demand gap of 80 million parking spaces due to the significant increase in the number of automobiles in the PRC.

Taking into consideration of the above statistics and policies, we concur with the Management that the demand for sales and leasing of parking spaces sales in the PRC will remain positive in the foreseeable future.

Extensive experience in parking spaces

As stated in the Letter from the Board, the Company has extensive experience in managing and leasing parking spaces as part of its community value-added services. Based on the discussion with the Management, we understand that asset management team of the Company (the "**Asset Management Team**") is responsible for the sales, leasing and management of parking spaces of the Group. Based on the information provided by the Company, we note that the Asset Management Team (i) established in 2021 and currently has more than 300 sales and management personnel, with average related experience of more than six years; (ii) operates five subsidiaries of the Group and is managing sales and leasing of parking space projects of the Group in more than 30 cities in the PRC, in particular covering the cities where the Target Parking Spaces are located; (iii) has completed sales and leasing of more than 4,000 parking spaces during the three years ended 31 December 2024; and (iv) has provided management services to more than 36,000 parking spaces during the three years ended 31 December 2024. And we concur with the Management that the Company has extensive experience in sales, leasing and management of parking spaces in the PRC.

Enhancement and diversification of income stream

As mentioned in the Letter from the Board, the Company will offer both leasing and sales services for the Target Parking Spaces. The Target Parking Spaces have not yet been made available for sale or lease and the Company will primarily focus on sales and those unsold ones will be leased. In addition, the Company may explore additional revenue opportunities, such as generating advertising income from the Target Parking Spaces. The Company intends to utilize certain parking lot areas, such as walls and ground surfaces, for advertising displays, which may generate additional advertising income for the Company from potential customers with advertising needs.

Based on our understanding with the Management, we note that, apart from the revenue generated from property management services, income derived from sales, leasing and management of parking space is one of the important sources of revenue of the Group. And we concur with the Management that the acquisition contemplated under the Parking Spaces Transfer Framework Agreement (the "**Packing Space Acquisition**") could enable the Group to enhance its source of income from packing spaces and further diversify its revenue stream, and is in line with the Group's long-term revenue diversification strategy.

5.2 Acquisition of the Target Companies

As disclosed in the Letter from the Board, the Company's primary focus remains on property management services, and the Acquisition of the Target Companies (the "**Target Companies Acquisition**") provides an opportunity to enhance its service offerings, recover the Outstanding Receivables, and potentially realize returns from the Target Companies' assets without the intention of becoming directly involved in property development activities.

Realization of potential return without directly involve in property development activities

Based on the discussion with the Management, we understand that, in assessing the potential return on the assets of the Target Companies, the Company has, among other factors, considered (i) the market value of the properties and the Land held by the Target Companies (the "**Target Companies Properties**") as at the Valuation Date as set out in the Valuation Reports (the "**Properties Market Values**"), as compared to the respective carrying amounts of the Target Companies Properties (the "**Properties Carrying Amounts**") as at 28 February 2025; and (ii) whether the Target Companies Properties are in normal operational status. In this regard, we have reviewed the Target Companies Financial Statements and the Valuation Reports and, and noted that (i) the Properties Market Values were above or at the Properties Carrying Amounts as at 31 December 2024 in the Target Companies Financial Statements. In addition, we have checked the operating status of the Target Companies through the National Enterprise Credit Information Publicity System and noted that all the Target Companies were not in the list of enterprise with abnormal operations and untrustworthy enterprises with serious violations.

Moreover, as stated in the Letter from the Board and according to the Management, direct acquisition of property projects or interests will incur higher taxes and transaction costs.

In relation to the intention of no involvement in property development activities by the Group, we have discussed with the Management and understand that (i) the development of the Target Company A Project has been completed; (ii) the first two phases of the Target Company B Project have been delivered, whilst the third phase is still under construction and the Company confirmed that it has not, and will not, involve in the project development of the Target Company B Project; and (iii) as at the date of the Circular, there is no concrete development plan on the Land and the Company confirmed that it will not involve in any of the project development activities of the Land, should there be any, in the future.

In light of the above, we concur with the Management that the Target Companies Acquisition could offer potential return to the Group without direct involvement in property development activities.

Enhancement of income stream

As stated in the Letter from the Board and based on the discussion with the Management, we understand that, after the Target Companies Acquisition, the Group plans to (i) sell the remaining inventory units of the Target Company A Project; (ii) provide property management services to Target Company A Project; (iii) sell the residential and commercial units of the Target Company Project B upon completion of the development; and (iv) consider to dispose of the Land when suitable opportunity arises. It is expected that the Group could generate potential sales proceeds and/or management fee from the Target Companies Properties. As such, we concur with the Management that the Target Companies Acquisition enables the Group to broaden and further diversify its revenue stream, and is in line with the Group's long-term revenue diversification strategy.

Outstanding Receivables

As disclosed in the Letter from the Board, the Outstanding Receivables, particularly the refundable deposits related to parking spaces sales agency services that mostly consist of receivables aged at least one year, the Company sought to expedite the recovery of these selected Outstanding Receivables by entering into the Equity Transfer Agreements. We have discussed with the Management and understand that (i) the Company has been paying close attention to the liquidity position of the Seller and regularly requesting for collection of the Outstanding Receivables, including holding of monthly meetings with the Seller; (ii) due to the Seller's current liquidity position, the likelihood of recovering the Outstanding Receivables in cash could be limited; (iii) the Outstanding Receivables are interest-free; and (iv) the considerations for the Target Companies Acquisition under the Equity Transfer Agreements (the "**Target Companies Considerations**") shall be offset against an equal amount of the Outstanding Receivables on a dollar-for-dollar basis. As discussed in the above section headed "5.2 Acquisition of the Target Companies – Enhancement income stream", it is expected that the Group could generate potential sales proceeds and/or management fee from the Target Companies Properties. Therefore, considering the Outstanding Receivables are interest-free and the likelihood of recovering the Outstanding Receivables in cash could be limited, the Target Companies Acquisition would offer an easy and reliable opportunity for the Group to recover the Outstanding Receivables on a dollar-for-dollar basis and enhance its cash flow position.

5.3 Section conclusion

Having considered the above, in particular (i) the demand for sales and leasing of parking spaces sales in the PRC will remain positive in the foreseeable future; (ii) the Company has extensive experience in sales, leasing and management of parking spaces in the PRC; (iii) both the Parking Space Acquisition and Target Companies Acquisition could enable the Group to enhance and further diversify its revenue stream, and is in line with the Group's long-term revenue diversification strategy; (iv) the Target Companies Acquisition could offer potential return to the Group without direct involvement in property development activities; and (v) considering the Outstanding Receivables are interest-free and the likelihood of recovering the Outstanding Receivables in cash could be limited, the Target Companies Acquisition would offer an easy and reliable opportunity for the Group to recover the Outstanding Receivables on a dollar-for-dollar basis and enhance its cash flow position, we are of the view that the Acquisitions are in the interests of the Company and the Independent Shareholders as a whole.

6. Principal terms of the Parking Spaces Transfer Framework Agreement

Pursuant to the Letter from the Board, the total consideration is expected to be approximately RMB229.37 million and will be settled by cash. The consideration was determined after arm's length negotiations between the parties with reference to:

(i) the book value of the Target Parking Spaces as at February 28, 2025 of RMB238.07 million;

(ii) the appraised value of the Target Parking Spaces as at February 28, 2025, with a market value of approximately RMB113.76 million for those with title and an investment value of approximately RMB115.61 million for those without title, based on an independent valuation by the Independent Valuer on Target Parking Spaces as at February 28, 2025. For further information on the valuation of the Target Parking Spaces, please refer to Appendix VI to this circular;

(iii) the prevailing property market conditions;

(iv) the expected administrative cost of the Company to realize the acquired assets; and

(v) the reasons and benefits as particularized in the paragraphs headed "Reasons for and Benefits of the Acquisitions" in the Letter from the Board

For details of the principal terms of the Parking Spaces Transfer Framework Agreement, please refer to the section headed "THE PARKING SPACES TRANSFER FRAMEWORK AGREEMENT" in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Parking Spaces Transfer Framework Agreement, we have primarily reviewed the Valuation Reports and conducted interviews with the Independent Valuer in relation to the Valuation Reports, details of our analysis of which are set out below.

6.1 Expertise and experience of the Independent Valuer

In assessing the fairness and reasonableness of the determination of the market values of the Target Parking Spaces as at the Valuation Date (the "**Target Parking Spaces Market Values**"), we have reviewed the Valuation Reports and conducted interviews with the Independent Valuer regarding, among others, their relevant qualifications and experiences, independence and principal bases and assumptions adopted in the Valuation Reports. According to the relevant information provided by the Independent Valuer and our independent research conducted in the public domain, the Independent Valuer, Colliers International Group Inc. (NASDAQ, TSX: CIGI) is a leading global diversified professional services and investment management firm with more than 23,300 professionals, specializing in commercial real estate, engineering project management and investment management. Its valuation and consulting services division comprises of experts in valuation, market research, financial analysis and other areas and has extensive experience in providing valuation consulting services for its clients. In relation to the experiences of the Independent Valuer, we have interviewed with the Independent Valuer and were given to understand that Mr. James Woo is the person-in-charge of the valuation on the Target Parking Spaces (the "**Target Parking Spaces Valuation**") and the Target Companies Properties (the "**Target Properties Valuation**"). Mr. Woo is the executive director and co-head of the valuation and advisory services division at Colliers International in China responsible for valuation work for real estate, distressed assets, plant & machinery, intangible asset, intellectual property, stocks, financial instruments and business valuation across mainland China. He is a fellow member of the Royal Institution of Chartered Surveyors (RICS registration number: 0837243) and has more than 27 years experiences in valuation and advisory services for properties and assets. The Independent Valuer confirmed that it was an independent third party to the Group, each of the Sellers and their respective connected persons as at the Latest Practicable Date. Upon review of the engagement letter between the Company and the Independent Valuer in respect of the Target Parking Spaces Valuation and Target Properties Valuation, we noted that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Independent Valuer in the Valuation Reports. Further, during the course of our review of the Target Parking Spaces Valuation and Target Properties Valuation and the discussions with the Independent Valuer, we were not aware of any material facts that would cause us to cast doubts on the experience and expertise of the Independent Valuer in conducting the Target Parking Spaces Valuation and Target Properties Valuation.

6.2 *Valuation methodology*

Market comparison approach

According to the Valuation Reports, the Independent Valuer adopted the market comparison approach in the valuation of the Target Parking Spaces with titleship that can be freely traded or without titleship but has a history of usage rights transactions, and where the land transfer fees have been fully paid (the "**Type I Parking Spaces**"). Such approach assumes sales of each Type I Parking Spaces in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the market, subject to appropriate adjustments including but not limited to conditions, location, time and other relevant factors. As advised by the Independent Valuer, having considered that comparable sales transactions for parking spaces are frequent and information about such sales are readily available, it is a normal market practice to conduct the valuation of the Type I Parking Spaces based on the market comparison approach. Based on the information provided by the Independent Valuer, number of Type I Parking Spaces constituted approximately 53.6% of the total number of the Target Parking Spaces.

Income capitalization approach

According to the Valuation Reports, the Independent Valuer adopted the income capitalization approach in the valuation of the Target Parking Spaces lacking complete ownership and where there has been no sale of usage rights, or if there are issues with the payment of land transfer fees or civil defence project (the "**Type II Packing Spaces**"). This approach capitalizes the existing rental income from all leasehold units over the remaining lease term, while vacant units are assumed to be rented at the market rate as of the valuation date. Upon the expiration of existing leases, each unit is assumed to be rented at the market rate on the valuation date and capitalized based on the remaining use term. The market value of the property or property interests thus equal to the sum of the capitalized value of the income from the leased units during their lease term, the appropriately deferred capitalized value of the income from the leased units (i.e., market rental income) and the capitalized value of the vacant units. As advised by the Independent Valuer, taking into consideration (i) the lack of titleship of the Type II Parking Spaces; (ii) there has been no sales of usage rights use of right or if there are issues with the payment of land transfer fees or civil defence project for the Type II Parking Spaces; and (iii) the capability of the Type II Parking Spaces to generate income, it is a normal market practise to adopt the income capitalization approach in valuation of such kind of parking spaces in the PRC. Based on the information provided by the Independent Valuer, number of Type II Parking Spaces constituted approximately 46.4% of the total number of the Target Parking Spaces.

6.3 *Key assumptions and valuation bases*

Key assumptions

During our review, we noted that the Target Parking Spaces Valuation were conducted based on the key assumptions that, among others, as at the Valuation Date, (i) the target property or property interests exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.; (ii) the property is free from contamination and the ground conditions are satisfactory; (iii) the full and proper ownership title of the property have been obtained, and all payable land premium or land-use rights fees have been fully settled; (iv) the Type II Packing Spaces have been granted for a land use term of 20 years since the Valuation Date.; (v) all required approvals and certificates necessary for occupation and use of the property has been duly obtained and are in full force and effect; (vi) the property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market. and (vii) no allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all properties are free of any encumbrances, restrictions and outgoings of an onerous nature which could affect their values. We have discussed with the Independent Valuer regarding the adoption of the above-mentioned assumptions and were given to understand that these assumptions are in line with the general market practice for valuation based on the market comparison approach.

Valuation bases for the Type I Parking Spaces

As advised by the Independent Valuer, in assessing the market values of the Type I Parking Spaces, the Independent Valuer has adopted market comparison approach by making reference to historical sale and purchase prices of comparable car parking spaces (the "**Type I Parking Spaces Comparables**"). Considering that the Type I Parking Spaces are located at different property developments in various provinces over the PRC, when identifying the corresponding Type I Parking Spaces Comparables, the Independent Valuer has included the criteria of (i) the underlying parking spaces were located in the same development or district to the corresponding Type I Parking Spaces; (ii) the underlying parking spaces were of the same nature as the corresponding Type I Parking Spaces in terms of being either commercial or residential, as the case maybe; (iii) all underlying parking spaces were designated areas for car parking as the corresponding Type I Parking Spaces; and (iv) the relevant transactions which had been completed during the 24 months preceding the Valuation Date and/or the relevant listings which had remained effective as at the Valuation Date. In addition, we noted that when determining the market value of the Type I Parking Spaces, the Independent Valuer has taken into account the adjustment factors (the "**Adjustment Factors**") including but not limit to amenities, size, building quality for each of the Type I Parking Spaces. Having considered the substantial number of the underlying parking spaces being acquired under the Target Parking Spaces Acquisition, the Independent Valuer has also applied a bulk purchase discount (the "**Bulk Purchase Discount**") to the historical transaction prices of the Type I Parking Spaces Comparables when appraising the market value of the Type I Parking Spaces. As confirmed by the Independent Valuer, the adoption of the Adjustment Factors and the Bulk Purchase Discount in valuing the Type I Parking Spaces is in line with the industry practice. We have randomly obtained and reviewed 15 Type I Parking Spaces Comparables and note that the historical transaction prices of the Type I Parking Spaces Comparables, after taking into consideration of the Bulk Purchase Discount, are in line with the market values the corresponding Type I Parking Spaces as appraised by the Independent Valuer.

As confirmed by the Independent Valuer, during the course of the valuations on the Type I Parking Spaces, these valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements met out in Chapter 5 and Practice Note 12 of the Listing Rules.

Valuation Bases for the Type II Parking Spaces

Based on our discussion with the Independent Valure, we understand that the market values of the Type II Parking Spaces as at the Valuation Date was derived based on (i) the estimated future rental income attributable to the Type II Parking Spaces (the "**Rental Income**") for the period from 31 December 2024 up to and including 31 December 2044 (the "**Forecast Period**"); and (ii) the Rental Income to be discounted at corresponding discount rate (the "**Discount Rate"**), which accounts for the time value of money and reflects the rate of return required by a third-party investor for an investment of similar type, to arrive at their respective present values as at 31 December 2024, being the Valuation Date. The Independent Valuer has confirmed that the above calculation methodology for evaluating the market values of the Type II Parking Spaces is in line with the industry practice.

The Rental Income

As advised by the Independent Valuer, the Rental Income of Type II Parking Spaces is estimated with reference to historical rental transactions of comparable car parking spaces (the "**Type II Parking Spaces Comparables**"). When identifying the Type II Parking Spaces Comparables, the Independent Valuer has included the criteria of (i) the underlying parking spaces were located in vicinity or same district to the corresponding Type II Parking Spaces; (ii) the underlying parking spaces were of the same nature as the corresponding Type II Parking Spaces in terms of being either commercial or residential, as the case maybe; (iii) all underlying parking spaces were designated areas for car parking as the corresponding Type II Parking Spaces; (iv) the relevant transactions which had been completed during the 24 months preceding the Valuation Date and/or the relevant listings which had remained effective as at the Valuation Date; and (iv) assume the Type II Parking Spaces have been granted for a land use term of 20 years since the valuation date. It is noted that the Independent Valuer mainly relied on 58同城 ("**58 Tongcheng***") (https://about.58.com/) and 貝殼找房 ("**Ke.com**") (https://m.ke.com) as the source of information for the Reference Transaction Prices and Reference Rental. According to our independent research, 58 Tongcheng established in 2005 and is a well-established life services platform in China. 58 Tongcheng's real estate platform offers a comprehensive feature designed to streamline the property search process, provides extensive property listings for sales and leasing of both residential and commercial properties and enables users to filter real estate listings or transactions by location, price, size, and other criteria. Additionally, 58.com offers virtual property tours for remote viewing and provides valuable market insights and trends to help users better understand the real estate market. Meanwhile, Ke.com established in 2017 and is a leading integrated online and offline platform for housing transactions and services in the PRC. With the mission to redefine the real estate industry through technology and innovation, Ke.com provides a comprehensive suite of services, including residential property sales, rentals, home renovation, and financial solutions. In light of the foregoing, we are of the view that the sources of information for the Reference Transaction Prices and Reference Rental are reliable.

The Forecasted Period

According to the Valuation Reports, the Type II Parking Spaces comprise parking spaces lacking complete ownership (the "**Type II-B Parking Spaces**") and civil air defence parking spaces (the "**Type II-C Parking Spaces**"). We understand from the Independent Valuer that the Forecasted Period of the Type II-B Parking Spaces was derived based on the (i) underground construction land use right of 50 years; minus (ii) the number of dates since the acquisition of the land use right of the property development of which the respective Type II-B Parking Spaces are located. The Independent Valuer advised that having considered the underground construction land use right for parking spaces is generally 50 years in the PRC, they assumed the Type II-B Parking Spaces has been granted a land use term of 50 years from the commencement date of the land use right of the respective property development. For the Type II-C Parking Spaces, we noted that the Forecasted Period is 20 years and is set based on the maximum effective lease term for leasing agreement of 20 years as stipulated under《中華人民共和國民法典》(Civil Code of the PRC). We were advised by the Independent Valuer that it is a normal market practice of adopting the above-mentioned assumptions on the Forecasted Period for the valuation of similar parking spaces in the PRC using the income capitalization approach.

The Discount Rates

As advised by the Independent Valuer, the Discount Rates ranged from approximately 4.5% to 5.25% have been adopted for the valuation of the Type II Parking Spaces. In estimating the Discount Rates for each of the Type II Parking Spaces, the Independent Valuer has made reference to the historical transaction prices (the "**Reference Transaction Prices**") and rentals (the "**Reference Rental**") of parking spaces of the same nature and in the vicinity to the corresponding Type II Parking Spaces during the 24 months preceding the Valuation Date. It is noted that the Independent Valuer mainly relied on 58 Tongcheng and Ke.com as the source of information for the Reference Transaction Prices and Reference Rental.

The Discount Rates were derived by discounting the Reference Transactions Prices (after applying the Bulk Purchase Discount) with the Reference Rental for 20 years, subject to appropriate adjustments made for factors such as location, grade and size. The Independent Valuer confirmed that it is a normal market practice to derive the Discount Rate for the purpose of valuation of Type II Parking Spaces using the above-mentioned methodology. We have randomly obtained and reviewed 5 samples of calculation of the Discount Rates (the "**Discount Rate Samples**"), and noted that the Discount Rates under the Discount Rate Samples were derived based on the above-mentioned methodology.

As confirmed by the Independent Valuer, during the course of the valuations of the Type II Parking Spaces, these valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules.

Taking into account of the above, we consider that the valuation assumptions and bases adopted by the Independent Valuer in the Target Parking Spaces Valuation are fair and reasonable. Nevertheless, the Independent Shareholders should note that the valuation on the Target Parking Spaces involved certain valuation assumptions and therefore their respective market values may not reflect the exact transaction value of the Target Parking Spaces should they be sold in the market.

6.4 Section conclusion

According to the Valuation Reports, the market value of the Target Packing Spaces as at 31 December 2024 amounted to RMB229.37 million (the "**Target Packing Spaces Market Value**"). Considering that the consideration for the Target Packing Spaces Acquisition was set at the level of the Target Packing Spaces Market Value, we are of the view that the terms of the Parking Spaces Transfer Framework Agreement and the transactions contemplated thereunder are fair and reasonable.

7. Principal terms of the Equity Transfer Agreements

Pursuant to the Letter from the Board, the respective Target Companies Considerations is approximately RMB109.49 million for Target Company A, RMB68.13 million for Target Company B and RMB41.02 million for Target Company C. Such Target Companies Considerations shall be offset against an equal amount of Outstanding Receivables from refundable deposits related to parking space sales agency services on a dollar-for-dollar basis, with older balances being settled first. No separate cash payment will be made by the Group to the Seller Group.

Such final considerations are adjusted as compared with the considerations disclosed in the Letter from the Board based on the relevant audit of the accounts of the Target Companies, as agreed upon by the parties in writing.

Pursuant to the Letter from the Board, the Target Companies Considerations were determined after arm's length negotiations between the parties with reference to:

(i) the adjusted gross net asset value[1] of Target Company A, Target Company B and Target Company C as at December 31, 2024, amounted to RMB176.97 million, RMB204.16 million and negative RMB105.53 million, respectively

(ii) the outstanding payables due to Target Company A from the Seller Group, as recorded in the management accounts of Target Company A as at December 31, 2024, amounted to RMB14.39 million;

(iii) the outstanding receivables due from Target Company B and Target Company C to the Seller Group, as recorded in their respective management accounts as at December 31, 2024, amounted to RMB27.29 million and RMB61.07 million, respectively;

(iv) the expected administrative cost of the Group to realize the acquired assets; and

(v) the reasons and benefits as particularized in the paragraphs headed "Reasons for and Benefits of the Acquisitions" in the Letter from the Board.

[1] The adjusted gross net asset value is calculated based on the net asset value of the Target Companies as at December 31, 2024 in the respective accountants' report plus the market value minus the carrying amounts of properties of the respective Target Companies as at February 28, 2025. The carrying amounts of the relevant properties for Target Company A, Target Company B and Target Company C as at February 28, 2025 were approximately RMB228.0 million, RMB718.3 million and RMB204.0 million, respectively, whereas their market value were approximately RMB253.2 million, RMB852.2 million and RMB204.0 million, respectively, based on an independent valuation by the Independent Valuer as at February 28, 2025. For further information on the valuation of the relevant property interests, please refer to Appendix VI to the Circular.

In particular, the consideration was arrived taking into account of the following:

Target Company A

The adjusted gross net asset value of Target Company A as at December 31, 2024 was RMB176.97 million. With a 70% equity interest being acquired, this amounts to RMB123.88 million. After deducting RMB14.39 million in payables owed to Target Company A by the Seller Group, the obligations of which will be transferred to and assumed by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 70% equity interest in Target Company A shall be RMB109.49 million.

Target Company B

The adjusted gross net asset value of Target Company B as at December 31, 2024 was RMB204.16 million. With a 20% equity interest being acquired, this amounts to RMB40.83 million. Adding RMB27.29 million in receivables owed to the Seller Group by Target Company B, the rights to which will be transferred to and acquired by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 20% equity interest in Target Company B is RMB68.13 million.

Target Company C

The adjusted gross net asset value of Target Company C as at December 31, 2024 was negative RMB105.53 million. With a 19% equity interest being acquired, this amounts to negative RMB20.05 million. Adding RMB61.07 million in receivables owed to the Seller Group by Target Company C, the rights to which will be transferred to and acquired by Nanjing Hong Life in their entirety upon completion of the Equity Transfer, the net consideration for the 19% equity interest in Target Company C is RMB41.02 million.

For details of the principal terms of the Equity Transfer Agreement, please refer to the section headed "THE EQUITY TRANSFER AGREEMENTS" in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of Equity Transfer Agreements, we have primarily reviewed the Valuation Reports, conducted interviews with the Independent Valuer in relation to the Valuation Reports and assessed the basis and calculation of the Target Companies Considerations, details of our analysis of which are set out below.

7.1 Expertise and experience of the Independent Valuer

For details of the expertise and experience of and our relevant due diligence work and analysis on the Independent Valuer, please refer to the sub-section headed "6.1 Expertise and experience of the Independent Valuer" above of this letter.

7.2 Valuation methodology

According to the Valuation Reports, the Independent Valuer adopted the market comparison approach in the valuation of the Target Company A Project, the completed properties of the Target Company B Project (together "**Completed Properties**") and the Land (collectively "**Type I Properties**"), for details of the Land, please refer to the above section headed "Information of the Target Companies – Target Company C". The market comparison approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analyzing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. As advised by the Independent Valuer, having considered the availability of reliable sales evidence of similar nature to the Type I Properties, it is a normal market practice to conduct valuation of the Type I Properties based on the market comparison approach.

Meanwhile, in appraising the market values of the properties under development of the Target Company B Project (the "**Type II Properties**"), the Independent Valuer have adopted the market comparison approach by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments. As advised by the Independent Valuer, it is a normal market practice to conduct valuation of property under development in the PRC based on the market comparison approach with the above-mentioned cost adjustments. In respect of other valuation approaches such as the income capitalization approach, as advised by the Independent Valuer, given the parameters required under the income capitalization approach including but not limited to the future selling prices of residential and commercial units and discount rate may not be easily verified or reasonably justified for property under construction, income capitalization approach is considered to be inappropriate for the purpose of the valuations of the Type II Properties. Also, given there is lack of sufficient market data for property under development projects which is comparable to the Type II Properties, market comparison approach without the above-mentioned cost adjustments are also considered to be inappropriate. Furthermore, cost approach is considered to be inappropriate as it estimates the value of a property by calculating the cost of reproducing or replacing it, whereas it is less effective to capture the income-generating potential of the Type II Property which contributes significantly to its overall market value.

Furthermore, the Independent Valuer adopted the income capitalization approach in the valuation of parking spaces held by the Target Company A, which lack complete ownership and where there has been no sale of usage rights, or if there are issues with the payment of land transfer fees or civil defence project (the "**Type III Properties**"). As advised by the Independent Valuer, the income capitalization approach adopted for the Type III Properties and for the Type II Packing Spaces are the same. Please refer to the above section headed "6.2 Valuation methodology – Income capitalization approach" for details of the valuation methodology of the income capitalization approach.

7.3 *Key assumptions and Valuation bases*

Key assumptions

During our review on the Valuation Reports, we noted that the valuations of the Type I Properties, the Type II Properties and the Type III Properties as at the Valuation Date were conducted based on the key assumptions that, among others, (i) the target property or property interests exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.; (ii) the properties are free from contamination and the ground conditions are satisfactory; (iii) the full and proper ownership title of the properties have been obtained, and all payable land premium or land-use rights fees have been fully settled; (iv) all required approvals and certificates necessary for the development and occupation and use of the properties have been duly obtained and are in full force and effect; (v) the properties can be freely transferred, mortgaged, sublet or otherwise disposed of in the market; (vi) no allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale; and (vii) the property or property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. We have discussed with the Independent Valuer regarding the adoption of the above-mentioned assumptions and were given to understand that those assumptions are in line with the general market practice for valuation based on the market comparison approach.

Valuation bases for the Type I Properties

As advised by the Independent Valuers, in assessing the market comparison values of the Completed Properties, the Independent Valuer has adopted market comparison approach by making reference to historical sale and purchase prices of comparable properties of the similar nature and in the same property development or in vicinity to the corresponding Completed Properties during the 24 months preceding the Valuation Date (the "**Completed Properties Comparables**"). Given the Completed Properties comprises residential units, commercial units and parking spaces, we have randomly obtained and reviewed 12, 3, 5 Completed Properties Comparables for residential units, commercial units and parking spaces respectively. We noted that the historical transaction prices of the Completed Properties Comparables are in line with the market values of the corresponding residential unit, commercial units and parking spaces of the Completed Properties. Meanwhile, when assessing the market value of the Land, the Independent Valuer has made reference to historical sale and purchase prices of the comparable land transactions located in vicinity to the Land during 24 months preceding the Valuation Date (the "**Comparables Lands**"). We were further advised that the Independent Valuer has relied on the transaction information from the CREIS 中指數據庫 (https://www.cih-index.com/product/zhdatabase) published by China Index Holdings Ltd ("**CIHL**") as the sources of information for the Comparables Lands. Based on our independent research, CIHL (NASDAQ: CIH) was established in 2007 and is committed to empower the PRC real estate market with big data and innovative technologies. It has around 1,000 data research and development and professional analysts, and has branches in over 30 major cities in the PRC. Whilst, CREIS中指數據庫 is a professional database on real estate industry and transaction with substantial amount of first-hand market data and has been designated by the National Development and Reform Commission and the National Bureau of Statistics as a reliable source of market data. CREIS 中指數據庫 contains, among others, transaction data and information on more than 2.2 million pieces of land, 400,000 residential projects and 50,000 commercial properties in over 2,000 cities in the PRC. In light of the foregoing, we are of the view that the sources of information on the Comparable Lands are reliable.

Valuation bases for the Type II Properties

As advised by the Independent Valuer, the market value of the Type II Properties was assessed by (i) estimating the gross development value of the Type II Properties (the "**Gross Development Value**"); (ii) deducting the outstanding development costs of the Type II Properties (the "**Outstanding Development Costs**"); (iii) adjusting with the potential profit margins of the Type II Properties (the "**Potential Profit Margins**"); and (iv) discount by a discount rate (the "**Discount Rate II**") to arrive at the present value as at the Valuation Date, of the Type II Properties.

The Gross Development Value

According to the Valuation Reports, the Gross Development Value is being assessed based on market comparison approach by making reference to sales price of comparable properties located in the same district with similar condition, size and tenure, etc and during the 24 months preceding the Valuation Date (the "**Type II Properties Comparables**"). As advised by the Independent Valuer, they have relied on (i) the historical transaction prices of property units sold in the previous development phases of the Type II Properties; and (ii) 58 Tongcheng, as the source of information for the Type II Properties Comparables. We have randomly obtained from the Company and reviewed 9 historical sales and purchase agreements for residential units and 1 historical sales and purchase agreement for commercial unit of the previous development phases of the Type II Properties (the "**Type II Properties Comparable**"). We noted that the historical transaction prices under the Type II Properties Comparable are in line with the corresponding estimated gross development values of the respective property units of the Type II Properties, which form part of the Gross Development Value. For our assessment on the reliability of 58 Tongcheng as the source of information, please refer to the above section headed "5.3 Key assumptions and valuation bases – Valuation bases for the Type I Parking Spaces" for details.

The Outstanding Development Costs

It is noted that the Outstanding Development Cost is computed through subtracting the total budget construction cost (the "**Total Budget Construction Cost**") by the paid-up construction cost (the "**Pain-Up Construction Cost**") of the Type II Properties.

The Potential Profit Margins

According to the Independent Valuer, the Potential Profit Margins is derived based on (i) the industry average profit margin level of projects under development of similar nature to the Type II Properties (the "**Average Profit Margin Level**") pursuant to the market information available to the Independent Valuer; (ii) adjustment on percentage of completion of the Type II Properties, which is calculated by dividing the Total Budget Construction Cost by the Paid-Up Construction Cost; and (iii) appropriate adjustments made for factors such as location, size, grade and other relevant factors to the Type II Properties. The Independent Valuer confirmed that (i) the Average Profit Margin Level being adopted for the valuation of the Type II Properties is in line with market level of average profit margin for valuation of similar properties under construction projects; and (iii) it is a normal market practice to adopted the above-mentioned adjustments.

The Discount Rate II

Based on the information provided by the Independent Valuer, the Discount Rate II of approximately 3.1% was being adopted for the valuation of the Type II Properties, which accounts for the time value of money and reflects the rate of return required by a third-party investor for an investment of similar type. We were given the understanding that, having considered that the Type II Properties are expected to be completed by the year end of 2025, the Discount Rate II was set by reference to the one-year loan prime rate published by the People's Bank of China on 20 December 2024.

Valuation bases for the Type III Properties

As advised by the Independent Valuer, the market values of the Type III Properties as at the Valuation Date was derived based on (i) the estimated future rental income attributable to the Type III Properties (the "**Properties Rental Income"**) for the Forecast Period; and (ii) the Properties Rental Income to be discounted at the corresponding Discount Rate.

The Properties Rental Income

We understand from the Independent Valuer that, in assessing the Properties Rental Income, the Independent Valuer has made reference to historical rental transactions of comparable car parking spaces (the "**Type III Properties Comparables**"). When identifying the Type III Properties Comparables, the Independent Valuer has adopted the same selection criteria as the Type II Parking Spaces Comparables and relied on 58 Tongcheng and Ke.com as the source of information. For details of the selection criteria and reliability of 58 Tonghceng and Ke.com as the source of information, which please refer to the above section headed "6.3 Key assumptions and valuation bases – The Rental Income".

The Forecasted Period

Please refer to the above section headed "6.3 Key assumptions and valuation bases – The Forecasted Period" for basis and details of the Forecasted Period.

The Discount Rate

As advised by the Independent Valuer, the Discount Rates of approximately 5.25% has been adopted for the valuation of the Type III Properties. For the estimation of, sources of information for and our independent assessments on the Discount Rate, please refer to the above section headed "6.3 Key assumptions and valuation bases – The Discount Rate" for details.

As confirmed by the Independent Valuer, the Target Properties Valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the requirements met out in Chapter 5 and Practice Note 12 of the Listing Rules. During our review of the Valuation Reports and discussions with the Independent Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Target Properties Valuation.

Taking into account of the above, we consider that the valuation assumptions and bases adopted by the Independent Valuer in the Target Properties Valuations are fair and reasonable. Nevertheless, the Independent Shareholders should note that the Target Properties Valuation involved certain valuation assumptions and therefore their respective market values may not reflect the exact transaction value of the Target Companies Properties should they be sold in the market.

7.4 The Target Companies Consideration

We have discussed with the Management and assessed the components of each of the Target Companies Considerations. It is noted the Target Companies Considerations are determined based on the adjusted proportionate NAVs of each of the Target Companies as at 31 December 2024 (the "**Adjusted Proportionate NAVs**") minus the Outstanding Amounts. The Adjusted Proportionate NAVs are calculated based on the NAVs of the Target Companies as at 31 December 2024 (the "**Target Companies NAVs**") and adjusted for (i) the market values of the Properties Market Values as set out in the Valuation Reports; and (ii) the Corresponding Equity Interests. Set out below is the calculation of the Target Companies Considerations.

Table 3: Calculation of the Target Companies Considerations

	Target Company A *RMB million*	**Target Company B** *RMB million*	**Target Company C** *RMB million*
The Target Companies NAVs	151.7	70.2	-105.5
Less: The Properties Carrying Amounts	228.0	718.3	204.0
Add: The Properties Market Values	253.2	852.2	204.0
Adjusted gross NAVs	**176.9**	**204.1**	**-105.5**
The Corresponding Equity Interests	70%	20%	19%
The Adjusted Proportionate NAVs	**123.9**	**40.8**	**-20.1**
Less: The Outstanding Amounts	14.4	-27.3	-61.1
Target Companies Considerations	**109.5**	**68.1**	**41.0**

For our independent due diligence purpose, we have reviewed the Target Companies Financial Statements and, together with the Valuation Reports, have checked against the respective Target Companies NAVs, Properties Carrying Amounts and Outstandings Amounts and recomputed the calculation of the Target Companies Considerations. Given that the Target Companies Considerations are determined based on the Adjusted Proportionate NAVs, which reflect the Properties Market Value, the Corresponding Equity Interests and the Outstanding Amounts, and shall be offset against an equal amount of the Outstanding Receivables on a dollar-for-dollar basis, we are of the view that the basis for determining the Target Companies Considerations is fair and reasonable.

7.5 Section conclusion

Having considered the valuation methodologies of the valuations on the Target Companies Properties, together with the assumptions and bases adopted therein, and the basis for the Target Companies Considerations, we are of the view that the terms of the Equity Transfer Agreements are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

8. Financial effects of the Acquisitions

When assessing the financial impacts of the Acquisitions, we have primarily taken into account the following aspects:

Upon completion of the Equity Transfer, Nanjing Hong Life will be interested in 70% of equity interest in Target Company A. Therefore, Target Company A will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Company's consolidated financial statements. Target Company B and Target Company C will be accounted for as an associate and a joint venture of the Company, respectively. Therefore, their financial results will not be consolidated into the Company's consolidated financial statement but both will be accounted for under the equity method.

The Earnings

As disclosed in the Letter from the Board, following completion of the Acquisitions, no gain or loss will be recorded. According to the unaudited pro forma financial information of the enlarged Group as set out in the Appendix III to the Circular (the "**Pro Forma Information**"), assuming the Acquisitions had been completed on 31 December 2024, the profit of the Company for FY2024 would represent a decrease of approximately RMB16.76 million. Based on our discussion with the Management, we understand that such decrease in the pro forma profit attributable to the equity shareholders of the Company was mainly caused by, among other things, the one-off impairment losses recorded by Target Company B and Target Company C. In light of the above and having considered that (i) the Target Companies Acquisition enables the Group to broaden and further diversify its revenue stream, and is in line with the Group's long-term revenue diversification strategy, as discussed in the section headed "5.2 Acquisition of the Target Companies"; and (ii) the demand for parking spaces in the PRC will generally remain positive in the future as analysed in the above section headed "The PRC Automobile and Parking Space Industry" in this letter, such decrease in the pro forma profit attributable to the equity shareholders of the Company for FY2024 is acceptable.

Assets and Liabilities

Assuming the Acquisitions had been completed on December 31, 2024, the assets and the liabilities as at December 31, 2024 would represent an increase of approximately RMB511.01 million and approximately RMB466.60 million, respectively. As a result, the NAV of the enlarged Group as at December 31, 2024 would increase by approximately RMB44.40 million to approximately RMB953.48 million.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Acquisitions.

RECOMMENDATIONS

Having considered the above-mentioned principal factors and reasons, we are of the view that although the entering into of the Parking Spaces Transfer Framework Agreement and Equity Transfer Agreements are not in the ordinary and usual course of business of the Group, the terms of the Parking Spaces Transfer Framework Agreement and the Equity Transfer Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Parking Spaces Transfer Framework Agreement and Equity Transfer Agreements at the EGM.

Yours faithfully,

For and on behalf of

Ignite Capital (Asia Pacific) Limited

Li Lan	**Dicky Tin**
Managing Director	*Director*

Mr. Li Lan is a Managing Director of Ignite Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 18 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. Dicky Tin is a Director of Ignite Capital and is licensed under the SFO as a licensed person to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Tin has over 18 years of investment banking and corporate finance experience in Hong Kong and has participated in and completed various initial public offerings, corporate financial advisory and independent financial advisory transactions.