



红日资本有限公司
RED SUN CAPITAL LIMITED

29 May 2025

To: *the Independent Board Committee and the Independent Shareholders of
Jinmao Property Services Co., Limited*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTEREST
IN JINMAO LVJIAN CHONGQING**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are contained in the letter from the Board (the “Letter from the Board”) as set out in the circular to the Shareholders dated 29 May 2025 (the “Circular”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 30 April 2025 (after trading hours), Jinmao PM (a wholly-owned subsidiary of the Company and the Purchaser), Shanghai Jinmao (the Vendor) and Jinmao Lvjian Chongqing (the Target Company) entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire equity interest in the Target Company for a total cash consideration of RMB258.0 million (tax inclusive).

As set out in the Letter from the Board, the Target Company is a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

As set out in the Letter from the Board, Shanghai Jinmao is a wholly-owned subsidiary of China Jinmao, which is a controlling shareholder of the Company holding approximately 67.28% of the total number of issued shares of the Company as at the Latest Practicable Date. Therefore, Shanghai Jinmao is an associate of China Jinmao and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, as the highest applicable percentage ratio of the Acquisition exceeds 5% but is less than 25%, (i) the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) the Acquisition also constitutes a connected transaction of the Company, and is subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to, among other things, seek approval from the Independent Shareholders in respect of the Acquisition. The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition.

II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises of three executive Directors, namely, Mr. Song Liuyi, Mr. Li Yulong and Mr. Zhao Jinlong, two non-executive Directors, namely, Ms. Qiao Xiaojie and Mr. Gan Yong, and three independent non-executive Directors, namely, Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong has been established to advise the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company or any relevant parties in connection with the Equity Transfer Agreement. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

In the previous two years, save for this appointment and our appointment as the independent financial adviser in relation to (i) certain continuing connected transactions pursuant to the services framework agreements entered into by the Company and China Jinmao Holdings Group Limited, details of which are set out in the circular of the Company dated 30 November 2023; and (ii) certain continuing connected transactions pursuant to the services framework agreements entered into by the Company and Sinochem Holdings Corporation Ltd, details of which are set out in the supplemental circular of the Company dated 7 December 2023, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment, as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, Shanghai Jinmao, the Target Company and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, Shanghai Jinmao and the Target Company made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to

us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, Shanghai Jinmao and the Target Company and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, 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.

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the provision of property management services, value-added services to non-property owners, and community value-added services.

Set out below is a summary of (i) the audited consolidated statements of financial position as at 31 December 2022 as extracted from the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report") and (ii) the audited consolidated statements of financial position as at 31 December 2023 and 2024 as extracted from the Company's annual report for the year ended 31 December 2024 ("2024 Annual Report"):

Summary of consolidated statement of profit or loss of the Group

	For the year ended 31 December		
	2022	2023	2024
	RMB million	RMB million	RMB million
	(audited)	(audited)	(audited)
Revenue			
Property management services	1,206.9	1,574.9	2,058.6
Value-added services to non-property owners	584.6	504.6	324.7
Community value-added services	644.6	624.9	582.7
Total revenue	2,436.0	2,704.4	2,966.0
Profit for the year/period attributable to owners of the parent	336.0	337.3	372.5

Financial performance for the years ended 31 December 2022 and 2023

As set out in the 2023 Annual Report, total revenue of the Group amounted to approximately RMB2,704.4 million for the year ended 31 December 2023, representing an increase of approximately 11.0% as compared to the year ended 31 December 2022, which mainly comprised of (i) revenue from property management services which amounted to approximately RMB1,574.9 million, representing an increase of approximately 30.5% as compared to the corresponding period of 2022; (ii) revenue from value-added services to non-property owners for the year ended 31 December 2023 which amounted to approximately RMB504.6 million, representing a decrease of approximately 13.7% as compared to the year ended 31 December 2022; and (iii) revenue from community value-added services which amounted to approximately RMB624.9 million, representing a decrease of approximately 3.1% compared to the year ended 31 December 2022. As of 31 December 2023, total contracted gross floor area ("GFA") of the Group reached approximately 106.4 million square meter(s) ("sq.m."), covering 70 cities across 24 provinces, municipalities and autonomous regions in the PRC, and the Group managed 501 properties in the PRC with a total GFA under management of approximately 84.2 million sq.m., including 321 residential communities and 180 non-residential properties.

For the year ended 31 December 2023, profit attributable to owners of the Company amounted to approximately RMB337.3 million, which is largely stable compared to the profit attributable to owners of the Company of approximately RMB336.0 million for the year ended 31 December 2022.

Financial performance for the years ended 31 December 2023 and 2024

As set out in the 2024 Annual Report, total revenue of the Group amounted to approximately RMB2,966.0 million for the year ended 31 December 2024, representing an increase of approximately 9.7% as compared to the year ended 31 December 2023, which mainly comprised of (i) revenue from property management services which amounted to approximately RMB2,058.6 million, representing an increase of approximately 30.7% as compared to the corresponding period of 2023; (ii) revenue from value-added services to non-property owners which amounted to approximately RMB324.7 million, representing a decrease of approximately 35.7% as compared to the year ended 31 December 2023; and (iii) revenue from community value-added services which amounted to approximately RMB582.7 million, representing a decrease of approximately 6.8% compared to the year ended 31 December 2023. As of 31 December 2024, total contracted GFA of the Group reached approximately 134.3 million sq.m., covering 71 cities across 25 provinces, municipalities and autonomous regions in the PRC, and the Group managed 595 properties in the PRC with a total GFA under management of approximately 100.9 million sq.m., including 406 residential communities and 189 non-residential properties.

For the year ended 31 December 2024, profit attributable to owners of the Company amounted to approximately RMB372.5 million, which has increased slightly compared to the profit attributable to owners of the Company of approximately RMB337.3 million for the year ended 31 December 2023.

Summary of the consolidated statement of financial position of the Group

	As at 31 December		
	2022	2023	2024
	RMB million	RMB million	RMB million
	(audited)	(audited)	(audited)
Total assets	3,003.5	3,613.8	4,330.5
– Cash and cash equivalents	1,019.0	1,252.0	1,399.5
– Trade receivables	778.6	900.3	982.7
– Prepayments, other receivables and other assets	611.5	816.8	988.7
– Goodwill	249.1	249.1	479.9
– Investment properties	94.2	128.2	205.0
– Property, plant and equipment	90.5	95.9	95.1
Total liabilities	1,643.3	2,045.8	2,568.7
– Other payables and accruals	664.3	756.5	926.7
– Trade and bills payables	456.1	602.9	711.8
– Contract liabilities	370.4	486.8	650.7
– Dividends payable	–	–	–
– Lease liabilities (non-current portion)	84.9	113.3	176.5
Equity attributable to the owners of the parent	1,343.2	1,541.8	1,704.8

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

Financial position as at 31 December 2022 and 2023

Based on the 2023 Annual Report, total assets of the Group as at 31 December 2023 amounted to approximately RMB3,613.8 million, which primarily comprised of (i) cash and cash equivalents, which amounted to approximately RMB1,252.0 million as at 31 December 2023, representing an increase of approximately RMB233.0 million as compared to approximately RMB1,019.0 million as at 31 December 2022; (ii) trade receivables, which amounted to approximately RMB900.3 million as at 31 December 2023, representing an increase of approximately RMB121.7 million as compared to approximately RMB778.6 million as at 31 December 2022; (iii) prepayments, other receivables and other assets, which amounted to approximately RMB816.8 million as at 31 December 2023, representing an increase of approximately RMB205.3 million as compared to approximately RMB611.5 million as at 31 December 2022; (iv) goodwill of approximately RMB249.1 million as at 31 December 2022 and 2023 respectively; and (v) investment properties of approximately RMB128.2 million as at 31 December 2023, representing an increase of approximately RMB34.0 million as compared to approximately RMB94.2 million as at 31 December 2022.

With reference to the 2023 Annual Report, total liabilities of the Group as at 31 December 2023 amounted to approximately RMB2,045.8 million, which primarily comprised of (i) other payables and accruals, which amounted to approximately RMB756.5 million as at 31 December 2023, representing an increase of approximately RMB92.2 million as compared to approximately RMB664.3 million as at 31 December 2022; (ii) trade payables, which amounted to approximately RMB602.9 million as at 31 December 2023, representing an increase of approximately RMB146.8 million as compared to approximately RMB456.1 million as at 31 December 2022; (iii) contract liabilities, which amounted to approximately RMB486.8 million as at 31 December 2023, representing an increase of approximately RMB116.4 million as compared to approximately RMB370.4 million as at 31 December 2022; and (iv) lease liabilities (non-current portion), which amounted to approximately RMB113.3 million as at 31 December 2023, representing an increase of approximately RMB28.4 million as compared to approximately RMB84.9 million as at 31 December 2022.

As at 31 December 2023, the equity attributable to owners of the parent amounted to approximately RMB1,541.8 million, representing an increase of approximately RMB198.6 million as compared to approximately RMB1,343.2 million as at 31 December 2022.

Financial position as at 31 December 2023 and 2024

Based on the 2024 Annual Report, total assets of the Group as at 31 December 2024 amounted to approximately RMB4,330.5 million, which primarily comprised of (i) cash and cash equivalents, which amounted to approximately RMB1,399.5 million as at 31 December 2024, representing an increase of approximately RMB147.5 million as compared to approximately RMB1,252.0 million as at 31 December 2023; (ii) trade receivables, which amounted to approximately RMB982.7 million as at 31 December 2024, representing an increase of approximately RMB82.4 million as compared to approximately RMB900.3 million as at 31 December 2023; (iii) prepayments, other receivables and other assets, which amounted to approximately RMB988.7 million as at 31 December 2024, representing an increase of approximately RMB171.9 million as compared to approximately RMB816.8 million as at 31 December 2023; (iv) goodwill of approximately RMB479.9 million and RMB249.1 million as at 31 December 2023 and 2024 respectively; and (v) investment properties of approximately RMB205.0 million as at 31 December 2024, representing an increase of approximately RMB76.8 million as compared to approximately RMB128.2 million as at 31 December 2023.

With reference to the 2024 Annual Report, total liabilities of the Group as at 31 December 2024 amounted to approximately RMB2,568.7 million, which primarily comprised of (i) other payables and accruals, which amounted to approximately RMB927.0 million as at 31 December 2024, representing an increase of approximately RMB170.5 million as compared to approximately RMB756.5 million as at 31 December 2023; (ii) trade and bills payables, which amounted to approximately RMB711.8 million as at 31 December 2024, representing an increase of approximately RMB108.9 million as compared to approximately RMB602.9 million as at 31 December 2023; (iii) contract

liabilities, which amounted to approximately RMB650.7 million as at 31 December 2024, representing an increase of approximately RMB163.9 million as compared to approximately RMB486.8 million as at 31 December 2023; and (iv) lease liabilities (non-current portion), which amounted to approximately RMB176.5 million as at 31 December 2024, representing an increase of approximately RMB63.2 million as compared to approximately RMB113.3 million as at 31 December 2023.

As at 31 December 2024, the equity attributable to owners of the parent amounted to approximately RMB1,704.8 million, representing an increase of approximately RMB163.0 million as compared to approximately RMB1,541.8 million as at 31 December 2023.

2. Information of China Jinmao and Shanghai Jinmao

As set out in the Letter from the Board, China Jinmao is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. China Jinmao is principally engaged in city operations, property development, commercial leasing, retail operations, hotel operations, as well as technology and services. The shares of China Jinmao are listed on the Stock Exchange (stock code: 00817).

As set out in the Letter from the Board, Shanghai Jinmao is a company established in the PRC with limited liability on 15 November 2007 with a registered capital of USD10 million. As at the Latest Practicable Date, Shanghai Jinmao is a wholly-owned subsidiary of China Jinmao. Shanghai Jinmao is principally engaged in corporate management, financial management consultancy services in the PRC.

3. Information of the Target Company

As set out in the Letter from the Board, the Target Company, Jinmao Lvjian Chongqing, is a company established in the PRC with limited liability on 31 August 2024. As at the Latest Practicable Date, its registered capital is RMB10,000,000.

The Target Company is principally engaged in the energy operation and maintenance business, which includes providing the equipment operation and maintenance services for technological systems such as ground source heat pumps, fresh air units and plate heat exchangers, which belongs to ongoing services after the delivery of the residential projects.

Set out below is the audited financial information of the Target Company during the period from 31 August 2024 (being the date of establishment) to 31 December 2024 and during the period from 1 January 2025 to 28 February 2025:

	For the period from 31 August 2024 to 31 December 2024 (RMB million)	For the period from 1 January 2025 to 28 February 2025 ^{note} (RMB million)
Net profit before taxation	11.3	20.1
Net profit after taxation	9.6	20.1

Note: As disclosed in the Valuation Report, the net profit of the energy operation and maintenance business for the period from 1 January 2025 to 28 February 2025 amounted to approximately RMB2.1 million, which consisted of the net profit of approximately RMB20.1 million from the Target Company and the net loss of approximately RMB18.0 million from the Original Energy Operation and Maintenance Units for the same period. The net loss incurred by the Original Energy Operation and Maintenance Units for the period from 1 January 2025 to 28 February 2025 was mainly attributable to certain expenses incurred by the Original Energy Operation and Maintenance Units for repairing the deterioration issue of equipment relating to the energy operation and maintenance business, which was discovered by the Purchaser during the due diligence process on the Target Company.

The audited total assets and net assets of the Target Company were approximately RMB270.8 million and RMB29.8 million, respectively, as at 28 February 2025.

As the Target Company was established by the Vendor and was not acquired, there is no original acquisition cost for the equity interest in the Target Company. The total costs of the Vendor in establishing the Target Company, being the fully-paid registered capital, amounted to RMB10 million as at the Latest Practicable Date.

4. Overview of the PRC industry landscape

Based on the data published by the National Bureau of Statistics of China (the “Statistics Bureau”) in January 2025¹, the gross domestic product (“GDP”) of the PRC for the year ended 31 December 2024 recorded a growth of approximately 5.0% compared to the corresponding prior year.

Given the Target Company’s energy operation and maintenance business, which includes providing the equipment operation and maintenance services for technological systems such as ground source heat pumps, fresh air units and plate heat exchangers, which belongs to ongoing services after the delivery of the residential projects, we have conducted market research into the PRC property sector.

¹ Data published by National Bureau of Statistics, the PRC (source: www.stats.gov.cn/xxgk/sjfb/zxfb2020/202501/t20250118_1958363.html)

We noted that the PRC government has implemented various policies to govern and promote the healthy development of the PRC property sector from time to time, including, among others, the three red lines* (三條紅線), directives and notices related to further optimising the PRC property sector lending policies* (房地產信貸政策進一步優化)² announced in May 2024, such as, among others, (i) the People's Bank of China will provide a fund of RMB300 billion to financial institutions to lend to local state-owned enterprises to buy unsold apartments that have already been built, and encourage and guide financial institutions to support local state-owned enterprise to acquire completed unsold commercial properties at reasonable price based on the principles of marketisation and rule of law; (ii) the reduction in the minimum down payment ratios for commercial individual housing loans* (住房商業性個人住房貸款) for first-home purchases and second-home purchases, respectively; and (iii) cut the minimum down payment ratios for commercial individual housing loans and cancel floor level of commercial mortgage rates for first and second homes across the country to realise the mortgage interest rate liberation, and more recently, the Notice of the People's Bank of China and the China Banking and Insurance Regulatory Commission on Providing Financial Support for the Stable and Healthy Development of the Real Estate Market* (關於做好當前金融支持房地產市場平穩健康發展工作的通知)³ and Circular on the Management on Operation Property Loan* (關於做好經營性物業貸款管理的通知)⁴ announced by the various PRC government departments/bodies, supporting the stability and continuous development of the PRC property sector.

Furthermore, we noted from the PRC 2025 Government Work Report* (2025政府工作報告)⁵ published in March 2025 that the policy direction supports the continuous development and the stabilisation of the PRC property market. Accordingly, the development of the PRC property market continues to be influenced by (i) PRC government policies at a national and regional level, which is intended to promote sustainable and healthy long-term development of the property development industry; (ii) the then prevailing market environment; and (iii) the overall economic conditions of the PRC.

2 Publication by (i) The State Council of the PRC titled “房地產信貸政策進一步優化” (source: www.gov.cn/zhengce/202405/content_6951980.htm); and (ii) The People's Bank of China titled “國新辦舉行國務院政策例行吹風會介紹切實做好保交房工作配套政策有關情況” (source: www.pbc.gov.cn/goutongjiaoliu/113456/113469/5356698/index.html)

3 Publication by The People's Bank of China and China Banking and Insurance Regulatory Commission titled “中國人民銀行、中國銀行保險監督管理委員會關於做好當前金融支持房地產市場平穩健康發展工作的通知” (source: www.pbc.gov.cn/zhengwugongkai/4081330/4406346/4693549/4720053/index.html)

4 Publication by National Administration of Financial Regulation titled “中國人民銀行辦公廳、國家金融監督管理總局辦公廳關於做好經營性物業貸款管理的通知” (source: www.cbirc.gov.cn/cn/view/pages/governmentDetail.html?docId=1149294&itemId=&generaltype=1)

5 PRC 2025 Government Work Report (source: www.gov.cn/yaowen/liebiao/202503/content_7010168.htm)

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of the Acquisition

We have summarised the following reasons for and benefits of the Acquisition from the Letter from the Board.

The energy operation and maintenance business is an important part of the full-cycle management of technology-enabled residences, which plays a key role in ensuring a positive user experience for property owners, extending the lifespan of buildings, equipment and facilities, and contributing to the preservation and appreciation of property values. Since its establishment, China Jinmao has accumulated rich professional experience and built strong customer reputation in stabilizing the operating status of equipments, extending the service life of systems, meeting diversified needs of customers and enhancing the level of energy management through its specialised energy operation and maintenance service levels, which has solidified its position as a leading player in the industry of technology-enabled residential operation and maintenance management. Against the backdrop of the “carbon peaking and carbon neutrality” goals, the Ministry of Housing and Urban-Rural Development has specified the criteria for a “good house” as being “green and low-carbon, intelligent and secure” in the current year. The Company foresees that with the escalating competition in the property industry for project expansion, technology-enabled residential energy operation and maintenance services, featuring market-driven pricing standards and promising business growth potential, will emerge as a vital strategic focus for property management enterprises seeking to cultivate distinctive competitive advantages, sustain business growth, and uphold ESG development principles.

After the Acquisition, the Group will achieve integrated operation of property services and energy operation and maintenance on property owners’ side, further enhancing operational efficiency, improving customer experience, and solidifying project stability. Meanwhile, the energy operation and maintenance business, positioned as the “green label” of the Group, will further boost the full-chain competitive edges of the Group, establish benchmark service projects for the Group in the field of technology-enabled residences, and accelerate market expansion of the Group in technology-enabled residences, non-residential business portfolio, and energy management services, thereby cultivating differentiated competitive capabilities and providing support for performance growth to help the Group achieve its medium and long-term strategic objectives.

The Acquisition reflects the further strengthening of strategic synergy between the Group and China Jinmao. It serves as a high-quality development goal for the Group to “Rebuild New Jinmao Services in Five Years”, and an important measure of reinforcing the core business line of “energy management” under the “1245” strategy, as well as a key strategic positioning of “focusing on premium quality of property holding and high-end quality services, accelerating the creation of a second growth curve (聚焦精品持有和高端服務業務, 加速打造第二增長曲線)” under the business strategy of “One Core • Three Focuses (一核•三聚焦)” of China Jinmao.

Having considered, among others, (i) the principal business of the Target Group, which belongs to ongoing services after the delivery of the residential projects, can supplement and expand the service offerings of the Group; (ii) upon Completion, the Target Group shall further broaden the income base of the Group; and (iii) the Consideration was determined after arm’s

length negotiations between the Purchaser and the Vendor with reference to the appraised value of 100% equity interest in the Target Company as at the valuation benchmark date of approximately RMB258.5 million, which is further analysed under section headed “3. Our analysis on the Consideration and other terms” in this letter below, we concur with the Company that the Acquisition.

2. Principal terms of the Equity Transfer Agreement

The following principal terms of the Equity Transfer Agreement has been extracted from the Letter from the Board:

Date:	30 April 2025
Parties:	(i) Jinmao PM (as the Purchaser); (ii) Shanghai Jinmao (as the Vendor); and (iii) Jinmao Lvjian Chongqing (as the Target Company).
Effectiveness:	The Equity Transfer Agreement shall take effect upon signing by all parties or their authorised representatives and the approval by the Independent Shareholders at the EGM.
Subject matter:	Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire equity interest in the Target Company.
Consideration:	<p>Pursuant to the Equity Transfer Agreement, the Consideration is RMB258.0 million (tax inclusive), which shall be satisfied by cash.</p> <p>The Consideration will be funded by internal resources of the Group.</p>
Payment:	<p>The Vendor shall, within ten (10) Working Days after the fulfillment of all the Conditions Precedent (except those required to be satisfied on the Closing Date), deliver written notice to the Purchaser including payment notice information.</p> <p>The Purchaser shall, within ten (10) Working Days after receiving the written notice, remit the Consideration via wire transfer to the designated bank account (the “Account”) of the Vendor.</p>

**Conditions
Precedent:**

The obligations of the Purchaser under the Equity Transfer Agreement (including the payment of the Consideration) shall be subject to the fulfillment of the following Conditions Precedent either at or before the Closing, provided that the Purchaser shall have the right, at its discretion, to waive one or more of the Conditions Precedent by providing written notice to the Vendor:

- (i) the Equity Transfer Agreement and the other Transaction Documents having been duly executed and delivered by the relevant parties, and the Purchaser having received the original copies of the Transaction Documents;
- (ii) for purpose of signing and delivery of the Transaction Documents and the performance of the Acquisition, the Warrantors having completed all necessary internal decision-making procedures and state-owned asset approval procedures and having obtained all necessary approvals in accordance with the laws and the articles of association, including approval of the amended and restated Articles of Association, which shall become effective on or before the Closing Date;
- (iii) the representations and warranties of the Warrantors under the Equity Transfer Agreement being true, accurate, and complete when made and as of the Closing Date, and shall remain in full effect and validity as if made on the Closing Date;
- (iv) the Warrantors having performed and complied with all commitments, agreements, obligations, and conditions that must be performed or complied with by the Warrantors under the Transaction Documents on or before the Closing Date;
- (v) in the independent and reasonable judgment of the Purchaser, since the date of the Equity Transfer Agreement: (a) there having been no change that could have a material adverse effect on any Warrantor and its respective business, operations, property, financial condition, income or prospects; and (b) there having been no event or events which, either alone or in combination, has had a material adverse effect and it is reasonably expected that no such event or events shall occur;

- (vi) no government agency having issued any order, decree, or ruling, or taken any other action that restricts, prevents, or otherwise prohibits the Acquisition, and such orders, decrees, rulings or actions shall be final and not subject to reconsideration, litigation, or appeal;
- (vii) the Warrantors, either themselves or by procuring the Original Energy Operation and Maintenance Units, submitting to the Purchaser the accounts prepared in accordance with all relevant laws and generally accepted accounting principles in the PRC based on a recognised and consistent foundation. The Warrantors shall ensure that the accounts are complete, accurate, and reflect a true and fair view of the Target Company's relevant events, assets and liabilities, financial condition, and profit and loss for the dates and periods covered by such accounts, and that such accounts are not affected by any irregular or non-recurring items not included therein. The accounting basis and standards used in the preparation of the accounts shall be consistent with those used in the past two financial years; and
- (viii) the Purchaser completing due diligence on the Target Company with results reasonably satisfactory to the Purchaser.

As at the Latest Practicable Date, save as the Conditions Precedent numbered (iii), (iv), (v) and (vi), all of the other Conditions Precedent have been fulfilled.

Closing:

The Closing of the Acquisition shall take place on the same day on which all Conditions Precedent (as set out above) have been satisfied or waived, and the Purchaser has paid the Consideration to the Account.

Subsidy fees:

The Vendor or its designated entities shall, within five years commencing from 2025 (inclusive), pay the Purchaser RMB37,500,000 as a subsidy (annual payment of RMB7,500,000) to support the Purchaser in enhancing its energy maintenance efficiency and the customer satisfaction, as well as upgrading its service quality and market competitiveness (the "Subsidy Fees").

Financial arrangement:	In order to facilitate payment by the clients of the Energy Operation and Maintenance Projects, receivables (the “Receivables”) related to the Energy Operation and Maintenance Projects attributable to the period prior to 31 August 2024 (i.e. the establishment date of the Target Company) will be collected by the Target Company on behalf of the Original Energy Operation and Maintenance Units after the Closing Date and will be settled with the Original Energy Operation and Maintenance Units on a semi-annual cycle (the “Financial Arrangement”). The Receivables were account receivables due to the Original Energy Operation and Maintenance Units prior to 31 August 2024 under the Energy Operation and Maintenance Projects. As at the Latest Practicable Date, the Receivables amounted to approximately RMB81.9 million. The above-mentioned arrangement is expected to remain in effect indefinitely, with no specified end date.
Termination:	The Equity Transfer Agreement may be terminated in advance of the Closing Date upon the occurrence of the circumstances as set out under “Termination” under the section headed “THE EQUITY TRANSFER AGREEMENT” in the Letter from the Board.

For further details of the Equity Transfer Agreement, please refer to the section headed “THE EQUITY TRANSFER AGREEMENT” in the Letter from the Board.

3. Our analysis on the Consideration and other terms

As set out in the Letter from the Board, the Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to the appraised value of 100% equity interest in the Target Company as at the valuation benchmark date (i.e. 28 February 2025) of approximately RMB258.5 million, as valued by the Independent Valuer using the income approach.

In assessing the fairness and reasonableness of the consideration for the Acquisition, we have obtained and reviewed the Valuation Report prepared by the Independent Valuer. We have also reviewed and enquired with the Independent Valuer (i) qualification and experience of the Independent Valuer in relation to the preparation of the Valuation Report; (ii) the key assumptions, including but not limited to, information of property projects/potential property projects of the Target Company with expected revenue generated/to be generated from the provision of equipment operation and maintenance services for technological systems such as ground source heat pumps, fresh air units and plate heat exchangers covering the year ending 31 December 2025 to 2030; and (iii) valuation procedures conducted by the Independent Valuer for conducting the valuation. Furthermore, we have reviewed the terms of engagement of the Independent Valuer and noted that the scope of work is appropriate to the valuation. The Independent Valuer has also confirmed its independence.

3.1 Valuation assumptions and methodology

We have reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of the entire equity interest in the Target Company as at 28 February 2025 (the “Valuation”).

As set out in the Valuation Report, the Independent Valuer has considered three generally accepted valuation approaches, namely, the market approach, asset-based approach and income approach.

We understand from the Independent Valuer that the market approach provides an indication of value by identifying and comparing market transactions, the transacted company of which is considered to be comparable to the subject company, and that the relevant details of the transaction are accessible in the open market, with appropriate adjustments for the differences between the subject company and the companies of a comparable nature. We have discussed with the Independent Valuer and understood that the market approach is not applicable for the valuation of the Target Company attributable to insufficient public information on companies in the same industry of the Target Company as comparable, a lack of market transactions and the relevant disclosed information, of which the subject company was holding comparable assets/businesses compared to that of the Target Company, and the details of which are accessible in the open market.

The Independent Valuer also advised that the asset-based approach was considered. The asset-based approach measures the value of a company based on the sum of the fair value of its asset and liability components. We understand from the Independent Valuer that the asset-based approach is not applicable for the valuation of the Target Company as it may not be able to reflect the expected future economic benefits of an income-generating business of the Target Company, which is asset-light with short establishment.

Given that (i) the market-based approach was not adopted because of insufficient companies in the same industry of the Target Company as comparable, lack of comparable market transactions and relevant disclosed information were insufficient and/or unavailable; (ii) the asset-based approach was also not adopted because it could not capture the future earning potential and thus market value of the Target Company; and (iii) the income-based approach can capture the future earning potential of the Target Company, the Independent Valuer considered the adoption of the income-based approach in determining the Valuation. Having considered the abovementioned limitations in applying the market-based approach and asset-based approach, we concur with the Independent Valuer that it is reasonable to adopt the income-based approach to determine the Valuation.

3.2 Discount rate

When applying income-based approach to estimate the Valuation, we noted that it is necessary to determine an appropriate discount rate. We noted that the Independent Valuer has used the weighted average cost of capital (“WACC”) to determine the discount rate to be applied to the estimated corporate free cash flows of the Target Company. We noted that the

WACC technique, which comprises of two parts, namely, (i) costs of equity; and (ii) costs of debt, is commonly used for the aforesaid purpose. In deriving the discount rate, the Independent Valuer has taken into account various factors including, among others, (i) risk-free rate; (ii) beta coefficient of equity; (iii) market risk premium; (iv) company specific risk premium; (v) cost of equity; and (vi) cost of debt. Please refer to section headed “Valuation Model and Input Parameters” in the Valuation Report set out in Appendix I to the Circular for details of discount rate input and basis adopted by the Independent Valuer. We have discussed with the Independent Valuer regarding the major factors taken into consideration in deriving the discount rate, and noted that these factors are commonly used parameters in the industry when preparing valuation reports. In this regard, we have (i) reviewed the relevant source of information and calculations; and (ii) discussed with the Independent Valuer the basis and assumptions of the major factors considered in deriving the discount rate, which is in line with common industry practice. Having considered the above selection criteria used by the Independent Valuer when determining the discount rate, we concur with the Independent Valuer that the criteria adopted are appropriate.

In arriving at the discount rate, the Independent Valuer has selected listed companies with similar business scopes and operations to the Target Company as comparable companies. These comparable companies were selected mainly with reference to, among others, the following selection criteria, namely, (i) majority revenue were generated from property management, ancillary services and other value added services in PRC; (ii) with sufficient listing and operating histories, without suspension of trading, substantial assets restructuring or unusual price movement the subject companies’ share; and (iii) financial information of which is available to the public. We have discussed with the Independent Valuer, understood the selection criteria of the Independent Valuer and reviewed the respective annual reports, including but not limited to, the geographical segments and business segments, the capital structure, and public information of these comparable companies, we are of the view that it is reasonable to derive discount rate to reflect the investment risks involved in the future cash flows of the Target Company from the abovementioned comparable companies.

3.3 Cash flow projection

It is noted that corporate free cash flow estimates from future operation and revenue of the Target Company are conducted through analysis over revenue, costs, and capital expenditure. We noted that the Independent Valuer has relied to a considerable extent on the cash flow projection of the Target Company from 1 March 2025 to 31 December 2030 prepared by the Management (the “Cash Flow Projection”) when preparing the Valuation Report. Accordingly, we have discussed with the Management in relation to the basis and assumptions used when preparing the Cash Flow Projection, and noted that the Management has considered the historical and estimated performance of the Target Company.

With reference to the Valuation Report set out in Appendix I to the Circular and after our review of the cash flow schedule provided by the Management together with the principal assumptions thereof, we noted that there will be not less than 25 property projects/potential property projects in various cities in the PRC, such as Beijing, Xi’an, Qingdao, Tianjin and Shanghai, which contributed or expected to contribute revenue of the Target Company during

the year ending 31 December 2024 to 2027, with the expected chargeable area between approximately 33,000 square meter (“sq.m.”) and 298,000 sq.m, and the fee to be charged between approximately RMB51.6 per sq.m. and RMB70.0 per sq.m. for most of the projects. As part of our work, we have also obtained and cross-checked sample documents and information of existing customers of the Target Group for not less than ten existing property projects located across Shanghai, Chengdu, Wuxi, Qingdao and Beijing, including agreement and fees schedules, covering approximately 35.7% of the estimated revenue from existing property projects for the year ending 31 December 2025, and not less than four future property projects across Beijing, Xi’an, Shaanxi Province, and Qingdao, Shandong Province, estimated to be delivered between October 2025 and the year ending 31 December 2026, including location details, technical drawings and fees and forecasted delivery schedules, covering approximately 36.5%, 35.9% and 26.3% of the estimated revenue from the future property projects for the year ending 31 December 2025, 2026 and 2027, respectively, which is considered to be representative for the purposes of our analysis. Based on our review and our analysis as set out above, the fee charged for comparable services to such customers are at a similar level with that under the relevant assumptions of the Cash Flow Projection.

We have also reviewed a schedule containing the calculation of total costs which was used in the preparation of the Cash Flow Projection and noted that the costs of the Target Company mainly comprised of costs of utility, such as electricity, energy, which is expect to account for between 72.1% and 74.0% of the direct costs of the Target Company during the forecast period, and consistent with the costs of utility to the total direct costs of the Target Company during the year ended 31 December 2024 and the two months ended 28 February 2025 of approximately 71.9% and 74.0%, respectively.

Furthermore, we have also (i) discussed with the Independent Valuer on the major assumptions of the Cash Flow Projection sets out in section headed “Principal Assumptions” in the Valuation Report set out in Appendix I to the Circular; (ii) reviewed the Cash Flow Projection schedules prepared by the Management and the related breakdowns; and (iii) reviewed the Cash Flow Projection. We also noted that the Board issued the letter confirming that the Cash Flow Forecast of the Target Company has been made after due and careful enquiry and Ernst & Young has issued the letter confirming that they have reviewed the arithmetical accuracy of the calculations of the Cash Flow Projection.

Based on the work performed as set out above, we are not aware of any material factors which would cause us to doubt the reasonableness of the Cash Flow Projection based on the available information provided by the Management up to the Latest Practicable Date.

3.4 Other assumptions

We have also reviewed the other assumptions including, among others, (i) the Target Company will continue to operate as planned by the Management; (ii) there will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with; (iii) there will be no significant changes in the current relevant laws, regulations, and policies of the PRC and the national macroeconomic situation, as well as the political, economic, and social environments of the

regions where the Target Company is located; (iv) there will be no significant changes in the key management personnel and technical staff of the Target Company that could affect its operations, and that the management team would remain stable, with no significant changes in the management policy that could impact its operations; and (v) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry. Please refer to section headed “Principal Assumptions” in the Valuation Report set out in Appendix I to the Circular for details of key assumptions adopted by the Independent Valuer.

In order to understand the relevant assumptions used in the Valuation, we have discussed with the Independent Valuer and the Independent Valuer has confirmed that the relevant underlying assumptions adopted in the Valuation are in line with common valuation practice and fair and reasonable. Based on (i) the overall operations of the Target Company; (ii) no major changes in the current taxation laws; (iii) the discussion with the Management; and (iv) the review and discussion with the Independent Valuer, we consider that the key assumptions applied in the Valuation to be reasonable.

3.5 Our analysis on other terms

As discussed with and confirmed by the Management, we are given to understand that the Subsidy Fees of RMB37,500,000 in aggregate (annual payment of RMB7,500,000) payable to the Purchaser by the Vendor or its designated entities, formed part of the Target Company’s capital expenditure and research and development plan with a view to enhance operating efficiencies, such as energy maintenance efficiency and customers’ satisfaction, as well as for upgrading its service quality and market competitiveness. On this basis, the Subsidy Fees is for the continuous development of the Target Company’s operations and is therefore in the interests of the Target Company.

In relation to the Financial Arrangement, as discussed with the Management, we understand that the amount of the Receivables will be collected by the Target Company on behalf of the Original Energy Operation and Maintenance Units and will be settled with the Original Energy Operation and Maintenance Units on a semi-annual cycle. The Management advised that the Receivables amounted to approximately RMB81.9 million as at the Latest Practicable Date. In addition, we have discussed with the Management and confirmed with the Independent Valuer that the expected cash inflow from the Receivables (i.e. upon the collection of the Receivables) and the corresponding cash outflow (i.e. upon the settlement with the Original Energy Operation and Maintenance Units) have been excluded in the Valuation Report and the Cash Flow Projection, hence have no net impact on the Valuation. Given the Receivables did not form part of the Valuation and thus have been excluded from the negotiation of the Consideration. The Financial Arrangement does not have an adverse impact on the fairness and reasonableness of the Equity Transfer Agreement.

3.6 Summary

Having considered (i) the reasons and the benefits of the Acquisition as set out in “1. Reasons for and benefits of the Acquisition” above; (ii) the relevant qualification and experience of the Independent Valuer; (iii) the Valuation as set out in the Valuation Report; (iv) our work and analysis as set out under section headed “3. Our analysis on the Consideration and other terms” above; (v) the Consideration was determined, amongst others, with reference to the Valuation and represents a discount to the Valuation; and (vi) our analysis on other terms of the Equity Transfer Agreement, including the Subsidy Fees and Financial Arrangement, we concur with the view of the Directors that the terms of the Equity Transfer Agreement, including, among others, the consideration of the Acquisition, is fair and reasonable so far as the Independent Shareholders are concerned.

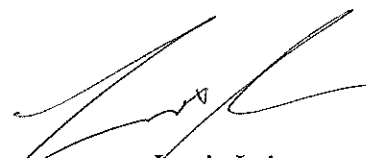
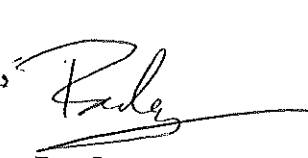
VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons and the benefits of the Acquisition as set out in “1. Reasons for and benefits of the Acquisition” above, in particular, the Acquisition will enhance the business lines and increase the profit level of the Group;
- (ii) our work and analysis as set out in this letter, in particular, those as detailed under the section headed “3. Our analysis on the Consideration and other terms” above; and
- (iii) the Consideration represents a discount to the appraised value of the entire equity interest in the Target Company based on the Valuation Report,

we consider that although the Equity Transfer Agreement is not entered into in the ordinary and usual course of business of the Group, the Equity Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and 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, that the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Equity Transfer Agreement at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited

	
Eewis Lai	Ben Leung
<i>Managing Director</i>	<i>Director</i>

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in the corporate finance industry.

Mr. Ben Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over nine years of experience in corporate finance industry.

** for identification purposes only*