THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinji Shaxi Group Co., Ltd, (the "**Company**") you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3603)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

綽耀資本
REDSOLAR

A notice convening an extraordinary general meeting (the "**EGM**") of the Company to be held at the Conference Room, 2nd Floor, Xinjicheng Club, No. 250, Intersection of Nanda Road, Panyu District, Guangzhou, PRC on Wednesday, 8 June 2022 at 10:00 a.m. is set out on pages 107 and 109 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.xjsx.net.cn). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:00 a.m. (Hong Kong Time) on Monday, 6 June 2022 (being not less than 48 hours before the time of the EGM) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

13 May 2022

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The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 Pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the venue before they are admitted to the venue;

2. any person with a body temperature of over 37.3 degree Celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the venue;

3. all attendees must wear face masks at all times inside the venue or at the waiting area outside the venue;

4. seating at the venue will be arranged in a manner to allow for appropriate social distancing;

5. any attendee who does not follow any of the abovementioned measures will be refused admission to the venue or requested to leave the venue;

6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and

7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appointing the chairman of the meeting as a proxy to vote on relevant resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company is closely monitoring the impact of the COVID-19 Pandemic in the PRC. Should any changes be made to the EGM arrangements, the Company will notify Shareholders via an announcement posted on the Company's website (www.xjsx.net.cn) and the website of the Stock Exchange (www.hkexnews.hk).

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisitions"	collectively, Share Transfer I and Share Transfer II
"Announcement"	the announcement of the Company dated 15 March 2022
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Xinji Shaxi Group Co., Ltd (信基沙溪集团股份有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3603)
"Comparable Companies"	companies that are comparable to Target Company II in terms of business nature and associated risks selected by the Valuer for the valuation of the entire equity interests of Target Company II
"Comparable Transactions"	transactions relating to acquisition of companies with majority of revenue generated from real estate property management and related businesses in the PRC selected by the Valuer for the valuation of the entire equity interests of Target Company I
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration I"	the consideration in the total amount of RMB75.00 million payable by the Purchaser for Share Transfer I
"Consideration II"	the consideration in the total amount of RMB24.00 million payable by the Purchaser for Share Transfer II
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this circular, refers to the group of controlling shareholders of the Company, namely Honchuen Investment, Zuoting Investment, Weixin Development, Mr. Cheung, Mr. Mei and Mr. Zhang
"COVID-19 Pandemic"	the Coronavirus (COVID-19) pandemic
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at the Conference Room, 2nd Floor, Xinjicheng Club, No. 250, Intersection of Nanda Road, Panyu District, Guangzhou, PRC on Wednesday, 8 June 2022 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Share Transfer Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries

"Guangzhou Real Estate"	Guangzhou Xinji Real Estate Development Co., Ltd.* (廣州市信基置業房地產開發有限公司), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Guangzhou Shaxi Hotel"	Guangzhou Shaxi International Hospitality Supplies City Company Limited* (廣州沙溪國際酒店用品城有限公司) (formerly known as Guangzhou Panyu Shaxi Daily Industrial Products City Company Limited* (廣州市番禺沙溪日用工業品商業城有限公司)), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
"Guangzhou Xinji Property"	Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), a company established in the PRC with limited liability
"Guaranteed Period"	five financial years from the date of signing of the Share Transfer Agreements, that is the period from 1 January 2022 to 31 December 2026
"Guaranteed Profit I"	the guaranteed accumulated net profit after tax of RMB31.00 million for the Guaranteed Period to be solely generated from Transferred Business I by Target Company I
"Guaranteed Profit II"	the guaranteed accumulated net profit after tax of RMB17.29 million for the Guaranteed Period to be solely generated from Transferred Business II by Target Company II
"Guarantors I"	collectively, Yishen Commercial, Mr. Cheung, Mr. Mei and Mr. Zhang
"Guarantors II"	collectively, Xinji Company, Mr. Cheung, Mr. Mei and Mr. Zhang
"2022 Headquarters Tenancy Agreement"	the tenancy agreement dated 15 March 2022 entered into between Guangzhou Real Estate and Guangzhou Shaxi Hotel in respect of the lease of the Premises during the period from 1 January 2022 to 31 December 2023 (both days inclusive)
"Honchuen Investment"	Honchuen Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Cheung
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hubei Xinji Property"	Hubei Xinji Property Management Co., Ltd.* (湖北信基物業管理有限公司), a company established in the PRC with limited liability
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Share Transfer Agreements and the transactions contemplated thereunder
"Independent Financial Adviser" or "Red Solar Capital"	Red Solar Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreements and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those who have a material interest in the Share Transfer Agreements and the transactions contemplated thereunder
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
"IPO Net Proceeds"	the net proceeds received by the Company from its initial public offering on the Stock Exchange on 8 November 2019, the intended use of which was further amended and disclosed in the announcements of the Company dated 6 July 2020 and 24 November 2021
"Kuiran Commercial"	Guangzhou Kuiran Commercial Development Co., Ltd.* (廣州市葵然商業發展有限公司), a company established in the PRC with limited liability
"Latest Practicable Date"	10 May 2022, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
"Linksfield CPA"	Linksfield CPA Limited, a professional firm of Certified Public Accountants
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longmei Dongman"	Guangzhou Longmei Dongman Technology Co., Ltd* (廣州龍美動漫科技有限公司), a company established in the PRC with limited liability and an Independent Third Party
"Longmei Property Management Services Entrustment Agreement"	the property management services entrustment agreement dated 1 November 2021 and entered into between Longmei Dongman and Target Company I in relation to the provision of property management services to Lingxiu Mansion* (領秀公館)
"Lupiao Commercial"	Guangzhoushi Lupiao Commercial Development Co., Ltd.* (廣州市蘆飄商業發展有限公司), a company established in the PRC with limited liability
"Maojia Trading"	Guangzhou Maojia Trading Co., Ltd.* (廣州市茂佳商貿有限公司), a company established in the PRC with limited liability
"Meisha Investment"	Guangzhou Meisha Investment Co., Ltd.* (廣州美廈投資有限公司), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Mr. Cheung"	Mr. Cheung Hon Chuen (張漢泉), an executive Director, the chairman of the Board and one of the founders and controlling shareholders of the Company
"Mr. Mei"	Mr. Mei Zuoting (梅佐挺), an executive Director and one of the founders and controlling shareholders of the Company
"Mr. Zhang"	Mr. Zhang Weixin (張偉新), an executive Director and one of the founders and controlling shareholders of the Company
"Non-Competition Undertaking"	the letter of undertaking dated 15 March 2022 and executed by each of Mr. Cheung, Mr. Mei and Mr. Zhang in favour of the Company, details of which are set out in the paragraph headed "Non-Competition Undertaking and Right of First Refusal" in this circular
"percentage ratio(s)"	has the meaning ascribed to it in the Listing Rules
"PRC"	the People's Republic of China, which for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Premises"	the premises located at South Intersection No. 250, Dashi Street, Panyu District, Guangzhou, the PRC* (中國廣州市番禺區大石街南大路口250號)
"Profit Forecast"	a profit forecast for the purpose of Rule 14.61 of the Listing Rules, which the Valuation constitutes
"Projection"	the financial projections of Target Company II
"Property Management Services Entrustment Agreement"	collectively, (i) Xiajiao Property Management Services Entrustment Agreements; (ii) the Shangjiao Property Management Services Entrustment Agreement; (iii) the Yuedao Property Management Services Entrustment Agreement; and (iv) the Xinji Plaza Property Management Services Entrustment Agreement
"Purchaser"	Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares I"	the entire registered capital of Target Company I held by Vendor I as at the Latest Practicable date
"Sale Shares II"	the entire registered capital of Target Company II held by Vendor II as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shangjiao Property Management Services Entrustment Agreement"	the property management services entrustment agreement dated 1 November 2021 and entered into between Maojia Trading and Target Company I in relation to the provision of property management services to Shangjiao Comprehensive Building* (上滘綜合樓)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Transfer I"	the acquisition of Sale Shares I by the Purchaser pursuant to the terms and conditions of Share Transfer Agreement I
"Share Transfer II"	the acquisition of Sale Shares II by the Purchaser pursuant to the terms and conditions of the Share Transfer Agreement II

"Share Transfer Agreement I"	the share transfer agreement dated 15 March 2022 and entered into between the Purchaser, Vendor I, Target Company I and Guarantors I in relation to Share Transfer I
"Share Transfer Agreement II"	the share transfer agreement dated 15 March 2022 and entered into between the Purchaser, Vendor II, Target Company II and Guarantors II in relation to Share Transfer II
"Share Transfer Agreements"	collectively, Share Transfer Agreement I and Share Transfer Agreement II
"Shareholder(s)"	holder(s) of the Share(s)
"Shunde Yuxing"	Foshan Shunde Yuxing Trading Co., Ltd.* (佛山市順德區禹興貿易有限公司), a company established in the PRC with limited liability
"Shunde Zhenkun"	Foshan Shunde Zhenkun Investment Co., Ltd.* (佛山市順德區鎮坤投資有限公司), a company established in the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	collectively, Target Company I and Target Company II
"Target Company I"	Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司), a company established in the PRC with limited liability
"Target Company II"	Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司), a company established in the PRC with limited liability
"Transfer Business I"	the property management business transferred from Vendor I to Target Company I as described under the paragraph headed "Information on the Target Companies" in this circular
"Transfer Business II"	the property management business transferred from Vendor II to Target Company II as described under the paragraph headed "Information on the Target Companies" in this circular
"Valuation"	the valuation of the entire equity interests of Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach prepared by the Valuer

"Valuation Date"	31 December 2021, being the valuation date in respect of the valuation of the entire equity interests in the Target Companies by the Valuer
"Valuation Report"	the valuation report dated 15 March 2022 prepared by the Valuer on (i) the valuation of the entire equity interests in Target Company I as at 31 December 2021 using the market approach; and (ii) the valuation of the entire equity interests in Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach
"Valuer" or "AVISTA"	AVISTA Valuation Advisory Limited, an independent valuer
"Vendor I"	Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), a company established in the PRC with limited liability, which is ultimately beneficially owned as to 95.00% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang as at the Latest Practicable Date
"Vendor II"	Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), a company established in the PRC with limited liability, which is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang as at the Latest Practicable Date
"Vendors"	collectively, Vendor I and Vendor II
"Weixin Development"	Weixin Development Overseas Limited, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Zhang
"Xiajiao Property Management Agreement"	the property management agreement dated 15 October 2021 and entered into between Target Company I and Xinji Industry in relation to the provision of property management services to the shop rented by Xinji Industry at the Xinji Plaza Hall A* (信基廣場A館)
"Xiajiao Property Management Services Entrustment Agreement I"	the property management services entrustment agreement dated 1 November 2021 and entered into between Yingbin Investment and Target Company I in relation to the provision of property management services to Xinji Plaza Hall A* (信基廣場A館)
"Xiajiao Property Management Services Entrustment Agreement II"	the property management services entrustment agreement dated 1 November 2021 and entered into between Lupiao Commercial and Target Company I in relation to the provision of property management services to Xiajiao Commercial Building* (厦滘商業大廈)

"Xiajiao Property Management Services Entrustment Agreement III"	the agreement dated 31 October 2021 and entered into between Lupiao Commercial and Target Company I in relation to management of car parking spaces of Xiajiao Commercial Building* (廈滘商業大廈) and the provision of operation and management services regarding shops in Xiajiao Commercial Building* (廈滘商業大廈)
"Xiajiao Property Management Services Entrustment Agreements"	collectively, Xiajiao Property Management Services Entrustment Agreement I, Xiajiao Property Management Services Entrustment Agreement II and Xiajiao Property Management Services Entrustment Agreement III
"Xinji Century"	Foshan Xinji Century Zhiye Co., Ltd.* (佛山信基百年置業有限公司), a company established in the PRC with limited liability
"Xinji Company"	Xinji Group Company Limited* (信基集團有限公司) (formerly known as Guangzhou Xinji Industrial Investment Company Limited* (廣州市信基實業投資有限公司)), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Xinji Group"	the subsidiaries of Xinji Company and companies which are controlled by the controlling shareholders of the Company and operated under the brand name of "Xinji", excluding the Group
"Xinji Industry"	Guangdong Xinji Industry Investment Holding Group Co., Ltd.* (廣東信基產業投資控股集團有限公司), a company established in the PRC with limited liability
"Xinji Plaza Property Management Services Entrustment Agreement"	the property management services entrustment agreement dated 1 January 2022 and entered into between Xinji Century and Target Company II in relation to the provision of property management services to Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場)
"Yishen Commercial"	Guangzhou Yishen Commercial Operation Co., Ltd.* (廣州億燊商業營運有限公司), a company established in the PRC with limited liability, which is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang
"Zhongying Shengda"	Guangdong Zhongying Shengda Capital Management Co., Ltd.* (廣東中盈盛達資本管理有限公司), a company established in the PRC with limited liability
"Yingbin Investment"	Guangdong Yingbin Investment Management Co., Ltd.* (廣東迎賓投資管理有限公司), a company established in the PRC with limited liability

"Yingde Shilihe"	Yingde Shilihe Trading Co., Ltd.* (英德市時利和貿易有限公司), a company established in the PRC with limited liability
"Yuedao Property Management Services Entrustment Agreement"	the property management services entrustment agreement dated 1 November 2021 and entered into between Kuiran Commercial and Target Company I in relation to the provision of property management services to Zong Yuehui* (綜玥薈)
"Zuoting Investment"	Zuoting Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the controlling shareholders of the Company and wholly-owned by Mr. Mei
"%"	per cent.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3603)

Executive Directors:
Mr. Cheung Hon Chuen
Mr. Mei Zuoting
Mr. Zhang Weixin

Non-executive Directors:
Mr. Yu Xuecong
Mr. Lin Lie
Ms. Wang Yixue

Independent non-executive Directors:
Dr. Zeng Zhaowu
Mr. Tan Michael Zhen Shan
Dr. Zheng Decheng

Registered office:
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Principal place of business in Hong Kong:
Rooms 301-303
3/F Golden Gate Commercial Building
136-138 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

13 May 2022

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Acquisitions.

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, Vendor I, Target Company I and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser conditionally agreed to acquire and Vendor I conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I, at the total consideration of RMB75.00 million.

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, Vendor II, Target Company II and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser conditionally agreed to acquire and Vendor II conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II, at the total consideration of RMB24.00 million.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Transfer Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Red Solar Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions; and (iv) a notice to convene the EGM.

SHARE TRANSFER AGREEMENT I

Date : 15 March 2022 (after trading hours of the Stock Exchange)

Parties :

(1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;

(2) Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), as vendor;

(3) Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司), as target company;

(4) Guangzhou Yishen Commercial Operation Co., Ltd* (廣州億燊商業營運有限公司), as guarantor;

(5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;

(6) Mr. Mei Zuoting (梅佐挺), as guarantor; and

(7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor I has conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I.

Consideration I and payment terms

The total consideration for the sale and purchase of Sale Shares I is RMB75.00 million, which shall be payable by the Purchaser to Vendor I in the following manner:

(a) RMB11.25 million, representing 15% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement I;

(b) RMB26.25 million, representing 35% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company I to the Purchaser;

(c) RMB18.75 million, representing 25% of the consideration as the third instalment, shall be payable before 31 January 2023; and

(d) RMB18.75 million, representing 25% of the consideration as the final instalment, shall be payable before 31 January 2024.

Vendor I and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement I.

Basis of the Consideration

Consideration I was determined after arm's length negotiations between Vendor I and the Purchaser with reference to the valuation of the entire equity interests in Target Company I of approximately RMB75.06 million as at 31 December 2021 carried out by the Valuer using the comparable transaction method under market approach, which in turn was based on the historical net profit of approximately RMB6.20 million generated from Transferred Business I for the year ended 31 December 2021 (which comprised of the net profit generated from Transfer Business I of approximately RMB5.30 million for the ten-month period from 1 January 2021 to 30 October 2021 based on the financial information provided by Vendor I and the net profit of approximately RMB0.90 million for the two-month period from 1 November 2021 to 31 December 2021 based on the management accounts of Target Company I) and the median price-to-earnings ratio of approximately 12.1 derived from comparable transactions relating to acquisition of companies with majority of revenue generated from real estate property management and related businesses in the PRC.

The Directors have reviewed the experience and qualification of the Valuer as set out in Appendix I to this circular and considered that the Valuer has sufficient experience and qualification to perform the valuation of Target Company I. The Directors also noted that the Valuer has confirmed its independence as set out in Appendix I to this circular.

The Directors have considered the methodology, key assumptions and parameters adopted in the valuation of Target Company I as follows:

(i) the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject assets. The Guideline Transaction Method under the market approach is a common methodology adopted in appraising the valuation of the equity interests of a company. The Guideline Transaction Method is considered to be more appropriate than the Guideline Public Company Method given that the stock price of public companies is usually easily affected by short-term market conditions and short-term market speculative activities, whereas the consideration prices of transactions are relatively more stable. In addition, public companies are usually of a larger size, which makes them less comparable to Target Company I. Therefore, the Directors considered the Guideline Transaction Method to be the preferred valuation method under the market approach. Further, the price-to-earnings ratio is considered to be the most appropriate valuation multiples for the valuation of Target Company I as it is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value;

(ii) the Directors have reviewed the key assumptions adopted in the valuation of Target Company I as set out in Appendix I to this circular and consider them to be fair and reasonable; and

(iii) the Directors have reviewed and discussed with the Valuer the criteria for selecting the Comparable Transactions as set out in Appendix I to this circular. The exhaustive list of 12 Comparable Transactions was selected based on the comparability of the overall industry sector of the relevant target companies of the Comparable Transactions with reference to the following selection criteria: (i) the transaction was announced within two years prior to the Valuation Date; (ii) the transaction has been completed as of the Valuation Date; (iii) the acquiree is principally engaged in the provision of property management and related services (i.e. over 50% of total revenue); (iv) the acquiree is principally operated in the PRC; and (v) the financial information of the transaction is available to the public. Taking into account the selection criteria, the characteristics of the relevant target companies of the Comparable Transactions, and the number of Comparable Transactions selected, the Directors consider the Comparable Transactions to be fair and representative for the purpose of the valuation of Target Company I.

In view of the above, the Directors considered that the methodology, key assumptions and parameters adopted in the valuation of Target Company I are fair and reasonable.

The Company intends to satisfy Consideration I by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent I

Completion of Share Transfer I is conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent ("**Conditions Precedent I**"):

(a) Vendor I having provided all necessary support and assistance to the Purchaser upon the Purchaser's reasonable request during the due diligence exercise on Target Company I, including but not limited to the provision of all accounts, records, agreements, technical information, staff details, management arrangement and other documents as requested by the legal representative, accountants and other representatives of the Purchaser, and the Purchaser being satisfied with the due diligence results;

(b) the Share Transfer Agreement I and the transactions contemplated thereunder having been approved by the shareholders of Vendor I and Target Company I in accordance with the relevant laws and regulations and their respective articles of association;

(c) all necessary consents, approvals or authorisations required to be obtained by the Company in respect of Share Transfer I (including but not limited to the approvals of the Board and the Independent Shareholders), having been obtained and remains valid;

(d) there being no material adverse change to the conditions (including but not limited to the financial position, employees, business, asset, property, results of operation, prospect etc.) of Target Company I from the date of the Share Transfer Agreement I up to a reasonable period of time, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any relevant parties to consummate the transactions contemplated under the Share Transfer Agreement I;

(e) there being no obligations and undertakings under the Share Transfer Agreement I or the transaction documents thereunder having been violated by Vendor I; and

(f) the warranties and representations given by Vendor I in the Share Transfer Agreement I remaining true, accurate and not misleading and there being no fact, matter or circumstance which would render the warranties and representations untrue or inaccurate in any respect.

Each of Vendor I and the Purchaser shall use its best endeavours to procure the fulfilment of Conditions Precedent I. The Purchaser may at any time prior to completion of Share Transfer I waive any of Conditions Precedent I (except for condition (c)) in writing. In the event any of Conditions Precedent I are not fulfilled (or as the case may be, waived) by 30 September 2022 (or such later date as Vendor I and the Purchaser may agree in writing), all rights, obligations and liabilities of the parties to the Share Transfer Agreement I shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the Share Transfer Agreement I save for any antecedent breach and/or any rights or obligations which may have accrued under the Share Transfer Agreement I prior to such termination.

As at the Latest Practicable Date, save for conditions (a) and (b), none of the above conditions have been fulfilled.

Completion

Subject to the fulfilment or waiver (as the case may be) of Conditions Precedent I, the Purchaser shall confirm in writing to Vendor I that Share Transfer I can proceed and arrange to make the first instalment of Consideration I pursuant to the payment terms as detailed in the paragraph headed "Consideration I and payment terms" above. Vendor I shall within five business days after receipt of the first instalment make all necessary filing to the Administration for Industry and Commerce to complete the change of business registration in respect of Share Transfer I.

Profit Guarantee I

Vendor I irrevocably and unconditionally guaranteed to the Purchaser and Target Company I that the accumulated audited net profit after tax of Target Company I solely derived from Transferred Business I for the Guaranteed Period shall be not less than RMB31 million.

The amount of Guaranteed Profit I was determined after arm's length negotiations between Vendor I and the Purchaser with reference to (i) the historical net profit of approximately RMB6.20 million generated from Transferred Business I for the year ended 31 December 2021; and (ii) the 5-year Guaranteed Period.

In the event that the actual accumulated audited net profit after tax (excluding any extraordinary or exceptional items) solely derived from Transferred Business I for the Guaranteed Period is less than Guaranteed Profit I, Vendor I shall pay such shortfall to Target Company I in cash on dollar-for-dollar basis within five business days upon receipt of notice in writing from the Purchaser.

Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I (including but not limited to the profit guarantee mention above) under the Share Transfer Agreement I during the Guaranteed Period. The Directors are satisfied that sufficient financial resources are available to Guarantors I to satisfy the amount required for paying such shortfall in the event that the actual accumulated audited net profit after tax of Target Company I solely derived from Transferred Business I for the Guaranteed Period is less than Guaranteed Profit I.

The Company will publish further announcement(s) to inform the Shareholders whether Guaranteed Profit I have been met and comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet Guaranteed Profit I. The Company will also disclose whether the actual performance of Target Company I solely derived from Transferred Business I for the Guaranteed Period meet Guaranteed Profit I in its next annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Other undertakings given by Vendor I

Vendor I irrevocably undertakes to the Purchaser the following:

(a) in the event that the actual operating expenses on the date of completion of Share Transfer I is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company I, Vendor I shall pay such discrepancy to Target Company I; and

(b) in the event that Target Company I suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement I, Vendor I shall compensate all losses of Target Company I arising thereto in accordance with the relevant PRC laws.

Liabilities of the Purchaser for breach of the Share Transfer Agreement I

In the event that the Purchaser fails to pay Consideration I in accordance with the payment schedule of the Share Transfer Agreement I, the Purchaser shall be liable to a default payment which is calculated at the rate of 0.05% per day on the total amount of Consideration I. In the event that the Purchaser fails to pay overdue Consideration I within ten days, Vendor I shall be entitled to rescind the Share Transfer Agreement I and forfeit all Consideration I paid thereat.

Liabilities of Vendor I for breach of the Share Transfer Agreement I

In the event that Vendor I fails to pay the shortfall of the of the Guaranteed Profit I within the prescribed period, Vendor I shall be liable to a default payment which is calculated at the rate of 0.05% per day on such shortfall.

In the event that Vendor I fails to complete the change of business registration in respect of Share Transfer I within 10 days after the prescribed period, the Purchaser shall be entitled to rescind the Share Transfer Agreement I. Vendor I shall return to the Purchaser all Consideration I received and Vendor I shall be liable to a default payment which is equivalent to 30% of the total amount of Consideration I.

Guarantee

Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I under the Share Transfer Agreement I during the Guaranteed Period.

SHARE TRANSFER AGREEMENT II

Date : 15 March 2022 (after trading hours of the Stock Exchange)

Parties :

(1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;

(2) Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), as vendor

(3) Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司), as target company;

(4) Xinji Group Company Limited* (信基集團有限公司), as guarantor;

(5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;

(6) Mr. Mei Zuoting (梅佐挺), as guarantor; and

(7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor II has conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II.

Consideration II and payment terms

The total consideration for the sale and purchase of Sale Shares II is RMB24.00 million, which shall be payable by the Purchaser to Vendor II in the following manner:

(a) RMB3.60 million, representing 15% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement II;

(b) RMB8.40 million, representing 35% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company II to the Purchaser;

(c) RMB6.00 million, representing 25% of the consideration as the third instalment, shall be payable before 31 January 2023; and

(d) RMB6.00 million, representing 25% of consideration as the final instalment, shall be payable before 31 January 2024.

Vendor II and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement II.

Basis of determining Consideration II

Consideration II was determined after arm's length negotiations between Vendor II and the Purchaser with reference to the valuation of the entire equity interests in Target Company II of approximately RMB24.69 million as at 31 December 2021 carried out by the Valuer using the discounted cash flow method of the income approach. Further details of the Valuation are set out in the section headed "Valuation" below.

The Directors have reviewed the experience and qualification of the Valuer as set out in the Appendix I to this circular and considered that the Valuer has sufficient experience and qualification to perform the valuation of Target Company II. The Directors also noted that the Valuer has confirmed its independence as set out in Appendix I to this circular.

The Directors have considered the methodology, key assumptions and parameters adopted in the Valuation as follows:

(i) under the discounted cash flow method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in similar business. The Directors considered that the discounted cash flow method of the income approach to be appropriate given that the relevant property management contract(s) have been transferred to Target Company II as of the Valuation Date, whereas the Projection with reasonable and valid bases was also available. The market approach was considered by the Valuer to be inappropriate and therefore not adopted as the methodology for the Valuation given that (a) the financial statements in relation to the property management business of Target Company II on standalone basis was not available; and (b) Target Company II has been established for less than a month and no meaningful historical financial metrics of Target Company II could be obtained;

(ii) the Directors have reviewed both the key assumptions adopted in the Valuation and the major assumptions of the Projection as set out in Appendix I to this circular and considered them to be fair and reasonable; and

(iii) the Directors have reviewed and discussed with the Valuer the criteria for selecting the Comparable Companies as set out in Appendix I to this circular. The Comparable Companies were used by the Valuer to compute the discount rate from the Capital Asset Pricing Model by assuming that the capital structure of Target Company II will be similar to the comparable companies in the market. The exhaustive list of nine Comparable Companies was selected with reference to the following selection criteria: (i) the companies are primarily engaged in the provision of property management services; (ii) the business activities of the companies with majority of revenue generated from property management services in the PRC; (iii) the companies are listed on the Stock Exchange with more than three years' listing period; and (iv) the financial information of the companies is available to the public. Taking into account the selection criteria, the characteristics of the Comparable Companies, and the number of Comparable Companies selected, the Directors consider the Comparable Companies to be fair and representative for the purpose of the Valuation.

In view of the above, the Directors considered that the methodology, key assumptions and parameters adopted in the valuation of Target Company II are fair and reasonable.

The Company intends to satisfy Consideration II by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent II

Completion of Share Transfer II is conditional upon fulfilment or waiver (as the case may be) of the following conditions precedent ("**Conditions Precedent II**"):

(a) Vendor II having provided all necessary support and assistance to the Purchaser upon the Purchaser's reasonable request during the due diligence exercise on Target Company II, including but not limited to the provision of all accounts, records, agreements, technical information, staff details, management arrangement and other documents as requested by the legal representative, accountants and other representatives of the Purchaser, and the Purchaser being satisfied with the due diligence results;

(b) the Share Transfer Agreement II and the transactions contemplated thereunder having been approved by the shareholders of Vendor II and Target Company II in accordance with the relevant laws and regulations and their respective articles of association;

(c) all necessary consents, approvals or authorisations required to be obtained by the Company in respect of Share Transfer II (including but not limited to the approvals of the Board and the Independent Shareholders), having been obtained and remains valid;

(d) there being no material adverse change to the conditions (including but not limited to the financial position, employees, business, asset, property, results of operation, prospect etc.) of Target Company II from the date of the Share Transfer Agreement II up to a reasonable period of time, and there being no restrictions, court orders, claims, or pending or threatened claims, or instigations, that limits any relevant parties to consummate the transactions contemplated under the Share Transfer Agreement II;

(e) there being no obligations and undertakings under the Share Transfer Agreement II or the transaction documents thereunder having been violated by Vendor II; and

(f) the warranties and representations given by Vendor II in the Share Transfer Agreement II remaining true, accurate and not misleading and there being no fact, matter or circumstance which would render the warranties and representations untrue or inaccurate in any respect.

Each of Vendor II and the Purchaser shall use its best endeavours to procure the fulfilment of Conditions Precedent II. The Purchaser may at any time prior to completion of Share Transfer II waive any of Conditions Precedent II (except for condition (c)) in writing. In the event any of Conditions Precedent II are not fulfilled (or as the case may be, waived) by 30 September 2022 (or such later date as Vendor II and the Purchaser may agree in writing), all rights, obligations and liabilities of the parties to the Share Transfer Agreement II shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the Share Transfer Agreement II save for any antecedent breach and/or any rights or obligations which may have accrued under the Share Transfer Agreement II prior to such termination.

As at the Latest Practicable Date, save for conditions (a) and (b), none of the above conditions have been fulfilled.

Completion

Subject to the fulfilment or waiver (as the case may be) of Conditions Precedent II, the Purchaser shall confirm in writing to Vendor II that Share Transfer II can proceed and arrange to make the first instalment of Consideration II pursuant to the payment terms as detailed in the paragraph headed "Consideration II and payment terms" above. Vendor II shall within five business days after receipt of the first instalment make all necessary filing to the Administration for Industry and Commerce to complete the change of business registration in respect of Share Transfer II.

Profit Guarantee II

Vendor II irrevocably and unconditionally guaranteed to the Purchaser and Target Company II that the accumulated audited net profit after tax of Target Company II solely derived from Transferred Business II for the Guaranteed Period shall be not less than RMB17.29 million.

The amount of Guaranteed Profit II was determined after arm's length negotiations between Vendor II and the Purchaser with reference the forecasted net profit to be generated from Transfer Business II during the Guaranteed Period.

In the event that the actual accumulated audited net profit after tax (excluding any extraordinary or exceptional items) solely derived from Transferred Business II for the Guaranteed Period is less than Guaranteed Profit II, Vendor II shall pay such shortfall to Target Company II in cash on dollar-for-dollar basis within five business days upon receipt of notice in writing from the Purchaser.

Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II (including but not limited to the profit guarantee mention above) under the Share Transfer Agreement II during the Guaranteed Period. The Directors are satisfied that sufficient financial resources are available to Guarantors II to satisfy the amount required for paying such shortfall in the event that the actual accumulated audited net profit after tax of Target Company II solely derived from Transferred Business II for the Guaranteed Period is less than Guaranteed Profit II.

The Company will publish further announcement(s) to inform the Shareholders whether Guaranteed Profit II have been met and comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet Guaranteed Profit II. The Company will also disclose whether the actual performance of Target Company II solely derived from Transferred Business II for the Guaranteed Period meet Guaranteed Profit II in its next annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Other undertakings given by Vendor II

Vendor II irrevocably undertakes to the Purchaser the following:

(a) in the event that the actual operating expenses on the date of completion of Share Transfer II is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company II, Vendor II shall pay such discrepancy to Target Company II; and

(b) in the event that Target Company II suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement II, Vendor II shall compensate all losses of Target Company II arising thereto in accordance with the relevant PRC laws.

Liabilities of the Purchaser for breach of the Share Transfer Agreement II

In the event that the Purchaser fails to pay Consideration II in accordance with the payment schedule of the Share Transfer Agreement II, the Purchaser shall be liable to a default payment which is calculated at the rate of 0.05% per day on the total amount of Consideration II. In the event that the Purchaser fails to pay overdue Consideration II within ten days, Vendor II shall be entitled to rescind the Share Transfer Agreement II and forfeit all Consideration II paid thereat.

Liabilities of Vendor II for breach of the Share Transfer Agreement II

In the event that Vendor II fails to pay the shortfall of the of the Guaranteed Profit II within the prescribed period, Vendor II shall be liable to a default payment which is calculated at the rate of 0.05% per day on such shortfall.

In the event that Vendor II fails to complete the change of business registration in respect of Share Transfer II within 10 days after the prescribed period, the Purchaser shall be entitled to rescind the Share Transfer Agreement II. Vendor II shall return to the Purchaser all Consideration II received and Vendor II shall be liable to a default payment which is equivalent to 30% of the total amount of Consideration II.

Guarantee

Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II under the Share Transfer Agreement II during the Guaranteed Period.

NON-COMPETITION UNDERTAKING AND RIGHT OF FIRST REFUSAL

On 15 March 2022, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Non-Competition Undertaking in favour of the Company pursuant to which Mr. Cheung, Mr. Mei and Mr. Zhang undertakes to the Company that upon completion of the Acquisitions, save for Mr. Cheung, Mr. Mei and Mr. Zhang's indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property (which are principally engaged in the provision of property management services for commercial complex), (i) he will not, without the written consent of the Company, either on his account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any business that is carried on by the Group (including the Target Companies); and (ii) he will procure and cause that each of his associates will observe the restrictions contained in the foregoing provisions of this undertaking.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang further undertakes to dispose of (i) his indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property; or (ii) the property management businesses of Guangzhou Xinji Property and Hubei Xinji Property to third party(ies) within one year after completion of the Acquisitions and grants the Company the right of first refusal for purchasing the said equity interests or property management businesses of Guangzhou Xinji Property and Hubei Xinji Property, subject to compliance with the relevant PRC laws.

The Non-Competition Undertaking does not apply to any interests in the shares of any member of the Group.

Corporate Governance Measures

In order to ensure and facilitate compliance with the Non-Competition Undertaking by each of Mr. Cheung, Mr. Mei and Mr. Zhang, the Company has implemented the following measures:

(a) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Competition Undertaking by each of Mr. Cheung, Mr. Mei and Mr. Zhang;

(b) each of Mr. Cheung, Mr. Mei and Mr. Zhang shall cooperate and provide and shall procure their associates to cooperate and provide, on best endeavour basis, information necessary for the aforementioned annual review of the performance of the Non-Competition Undertaking;

(c) the Company will disclose the review results of the independent non-executive Directors relating to compliance and enforcement of the Non-Competition Undertaking in the annual reports or the announcements;

(d) the Company will disclose in the corporate governance report of the annual report on how the terms of the Non-Competition Undertaking has been complied with and enforced, including the compliance confirmation in relation to the Non-Competition Undertaking from each of Mr. Cheung, Mr. Mei and Mr. Zhang; and

(e) in the event that any of Mr. Cheung, Mr. Mei and Mr. Zhang and/or their respective associates has material interests in any matter to be discussed by the Board in relation to the compliance and enforcement of the Non-Competition Undertaking, he shall not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the relevant voting.

INFORMATION ON THE TARGET COMPANIES

Target Company I

Target Company I was established in the PRC with limited liability on 10 August 2021. Pursuant to a business transfer agreement dated 19 October 2021 and entered into between Vendor I and Target Company I, Transferred Business I, which comprised of the property management business encompassing the management of commercial complex, was transferred by Vendor I to Target Company I. Upon completion of such business transfer, Target Company I has been providing property management services to projects under Transferred Business I, which consist of the following projects:

(A) Xiajiao project (廈滘項目)

Xinji Plaza Hall A* (信基廣場A館) and Xiajiao Commercial Building* (廈滘商業大廈) are two premises located in Panyu District, Guangzhou, the PRC, which is under the property management of Target Company I. Xinji Plaza Hall A* (信基廣場A館) comprises offices and food and beverage stores with approximately 268 tenants whereas Xiajiao Commercial Building* (廈滘商業大廈) is a residential and commercial complex with total gross floor area of approximately 51,710.40 square meters and approximately 617 tenants as at the Latest Practicable Date.

On 1 November 2021, Target Company I and Yingbin Investment (i.e. the property developer of Xinji Plaza Hall A* (信基廣場A館)) entered into Xiajiao Property Management Services Entrustment Agreement I, pursuant to which Yingbin Investment shall entrust Target Company I to provide property management services in relation to the operation of Xinji Plaza Hall A* (信基廣場A館). Principal terms of the Xiajiao Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	32,747 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Xinji Plaza Hall A* (信基廣場A館), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.

Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Xinji Plaza Hall A* (信基廣場A館) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the established rates set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Yingbin Investment shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew Xiajiao Property Management Services Entrustment Agreement I on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

On 1 November 2021, Target Company I and Lupiao Commercial (i.e. the property developer of Xiajiao Commercial Building* (廈滘商業大廈)) entered into Xiajiao Property Management Services Entrustment Agreement II pursuant to which Lupiao Commercial shall entrust Target Company I to provide property management services in relation to the operation of Xiajiao Commercial Building* (廈滘商業大廈). Principal terms of Xiajiao Property Management Services Entrustment Agreement II are substantially the same as Xiajiao Property Management Services Entrustment Agreement I.

In addition to the above, Target Company I and Lupiao Commercial also entered into Xiajiao Property Management Services Entrustment Agreement III on 1 November 2021 pursuant to which Lupiao Commercial shall entrust Target Company I to provide additional property management services in relation to the operation of Xiajiao Commercial Building* (廈滘商業大廈). Principal terms of Xiajiao Property Management Services Entrustment Agreement III are as follows:

Term:	From 1 November 2021 to 31 October 2024

Scope of service:	Target Company I shall (i) manage the car parking spaces of Xiajiao Commercial Building* (廈滘商業大廈) including the collection of parking fees; and (ii) provide operation and management services to Lupiao Commercial regarding shops in Xiajiao Commercial Building* (廈滘商業大廈) such as execution of lease agreements with tenants, collection of rental payment from tenants etc.
Entrusted property management fee:	Target Company I shall be entitled to (i) 30% of the total parking fees received after deducting the labour cost and daily repair and maintenance cost; and (ii) 3% of the total monthly rental payment received from tenants. Such fees shall be settled every quarter and before the fifteenth day of the last month of that quarter.
Adjustment of property management fee:	Target Company I shall adjust the property management fees charged to owners and occupants of shops in Xiajiao Commercial Building* (廈滘商業大廈) to a standard rate of RMB10 per square meter. Existing owners and occupants whose fees are lower than RMB10 per square meter shall pay according to the existing fees charged until expiry of the property management agreements. The shortfall of property management fees received by Target Company I shall be reimbursed by Lupiao Commercial every quarter and before the fifteenth day of the last month of that quarter.
Option to renew Subject to:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew Xiajiao Property Management Services Entrustment Agreement III on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.
Annual cap for amount of fees from Lupiao Commercial:	RMB1,000,000 from 1 January 2022 to 31 December 2022, RMB1,000,000 from 1 January 2023 to 31 December 2023 and RMB1,000,000 from 1 January 2024 to 31 October 2024.

In respect of the individual property management agreements entered into between Target Company I and the respective owners and occupants of Xinji Plaza Hall A* (信基廣場A館), one of the agreements was the Xiajiao Property Management Agreement entered into between Target Company I and Xinji Industry on 15 October 2021. Pursuant to the Xiajiao Property Management Agreement, Target Company I shall provide property management services for the shop rented by Xinji Industry. The principal terms of the Xiajiao Property Management Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Scope of service:	Substantially the same as those under Xiajiao Property Management Services Entrustment Agreement I.
Gross floor area of the shop rented:	462.7 square meter
Property management fee:	RMB10 per square meter i.e. a total of RMB4,627 per month.
Deposit:	Xinji Industry shall pay a deposit of RMB9,524 to Target Company I on the date of signing of the agreement. Such deposit shall be returned to Xinji Industry after three months upon expiry of the agreement.

(B) Shangjiao Comprehensive Building Project (上激綜合樓項目)

Shangjiao Comprehensive Building* (上滶綜合樓) is a premises located in Panyu District, Guangzhou, the PRC which is under the property management of Target Company I. Shangjiao Comprehensive Building* (上滶綜合樓) is a commercial complex with approximately 483 tenants as at the Latest Practicable Date.

On 1 November 2021, Target Company I and Maojia Trading (i.e. the property developer of Shangjiao Comprehensive Building* (上滶綜合樓)) entered into the Shangjiao Property Management Services Entrustment Agreement pursuant to which Maojia Trading shall entrust Target Company I to provide property management services in relation to the operation of Shangjiao Comprehensive Building* (上滶綜合樓). Principal terms of Shangjiao Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	23,655.95 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Shangjiao Comprehensive Building* (上滶綜合樓), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.

Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Shangjiao Comprehensive Building* (上漖綜合樓) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Maojia Trading shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Shangjiao Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

(C) Yuedao Project (玥島項目)

Yuedao Project (玥島項目) is a commercial complex located in Panyu District, Guangzhou, the PRC, which is currently under construction and expected to be completed on or before the third quarter of 2022. Zong Yuehui* (綜玥薈) is a premises under the Yuedao Project (玥島項目) and is expected to have a maximum capacity of up to approximately 1,207 tenants upon completion of the project and will be under the property management of Target Company I.

On 1 November 2021, Target Company I and Kuiran Commercial (i.e. the property developer of Zong Yuehui* (綜玥薈)) entered into the Yuedao Property Management Services Entrustment Agreement pursuant to which Kuiran Commercial shall entrust Target Company I to provide property management services in relation to the operation of Zong Yuehui* (綜玥薈). Principal terms of Yuedao Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	51,020 square meters

Scope of service:	Target Company I shall provide property management services in relation to the operation of Zong Yuehui* (綜玥薈), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Zong Yuehui* (綜玥薈) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Kuiran Commercial shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Yuedao Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

(D) Longmei Project (龍美項目)

Lingxiu Mansion* (領秀公館) is a premises located in Panyu District, Guangzhou, the PRC, which is under the property management of Target Company I. Lingxiu Mansion* (領秀公館) is a commercial complex with approximately 1,208 tenants as at the Latest Practicable Date.

On 1 November 2021, Target Company I and Longmei Dongman (i.e. the property developer of Lingxiu Mansion* (領秀公館)) entered into the Longmei Property Management Services Entrustment Agreement pursuant to which Longmei Dongman shall entrust Target Company I to provide property management services in relation to the operation of Lingxiu Mansion* (領秀公館). Principal terms of Longmei Property Management Services Entrustment Agreement are as follows:

Term:	From 1 November 2021 to 31 October 2024
Total gross floor area:	62,638.86 square meters
Scope of service:	Target Company I shall provide property management services in relation to the operation of Lingxiu Mansion* (領秀公館), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company I shall enter into separate property management agreements with the owners and occupants of Lingxiu Mansion* (領秀公館) pursuant to which Target Company I shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company I, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.
Liabilities for default:	In the event that Target Company I breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Longmei Dongman shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company I is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company I shall have the right to renew the Longmei Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

Target Company II

Target Company II was established in the PRC with limited liability on 20 December 2021. Pursuant to a business transfer agreement dated 23 December 2021 and entered into between Vendor II and Target Company II, Transferred Business II, which comprised of its property management business encompassing the management of commercial complex, was transferred by Vendor II to Target Company II. Upon completion of such business transfer, Target Company II has been providing property management services to Transferred Business II which consist of the following project:

(A) Xinji Plaza Project (信基廣場項目)

Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) is a premises located in Nanhai District, Foshan, the PRC, which is under the property management of Target Company II. Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) is a commercial complex with approximately 90 tenants as at the Latest Practicable Date.

On 1 January 2022, Target Company II and Xinji Century (i.e. the property developer of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場)) entered into the Xinji Plaza Property Management Services Entrustment Agreement pursuant to which Xinji Century shall entrust Target Company II to provide property management services in relation to the operation of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場). Principal terms of Xinji Century Property Management Services Entrustment Agreement are as follows:

Term:	From 1 January 2022 to 31 December 2024
Total gross floor area:	58,826.03 square meters
Scope of service:	Target Company II shall provide property management services in relation to the operation of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場), including but not limited to (i) the repair and maintenance of facilities, equipment and machinery in the common area; (ii) gardening and landscaping services; (iii) cleaning services; (iv) security services; and (v) car parking management services.
Entrusted property management fee:	Nil as Target Company II shall enter into separate property management agreements with the owners and occupants of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) pursuant to which Target Company II shall charge them with property management fees calculated according to the relevant gross floor area and the standard rate set by Target Company II, provided that the fees charged are in compliance with the relevant laws, rules and regulations in the PRC.

Liabilities for default:	In the event that Target Company II breach the agreement by failing to provide property management services with the required quality as stipulated under the agreement, Xinji Century shall have the right to terminate the agreement and request for compensation of all losses arising therefrom if Target Company II is still unable to rectify its failure within the rectification period.
Option to renew:	Subject to compliance with the Listing Rules, Target Company II shall have the right to renew the Xinji Plaza Property Management Services Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term.

Financial information of the Target Companies

Based on the unaudited management account of Target Company I, from the period since its establishment on 10 August 2021 up to 31 December 2021, Target Company I recorded a net profit before tax of approximately RMB1,506,000 and net profit after tax of approximately RMB1,430,000. Its net asset value as at 31 December 2021 was approximately RMB1,460,000.

Based on the unaudited management account of Target Company II, from the period since its establishment on 20 December 2021 up to 31 December 2021, Target Company II recorded a net loss before and after tax of RMB164 and its net liabilities as at 31 December 2021 was RMB164.

To the best knowledge and belief of the Directors having made all reasonable enquiry, as the Target Companies were established by the Vendors, there is no original acquisition cost for the entire equity interests in the Target Companies.

Upon completion of the Acquisitions, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial information of the Target Companies will be consolidated into the consolidated financial statements of the Group.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Connected persons and connected relationship

As at the Latest Practicable Date,

(a) Yingbin Investment is beneficially owned as to 65.00% and 35.00% by Mr. Zhang, an executive Director and a controlling shareholder of the Company, and Mr. Mei, an executive Director and a controlling shareholder of the Company respectively. As such, Yingbin Investment is an associate of Mr. Zhang and Mr. Mei and a connected person of the Company under Chapter 14A of the Listing Rules;

(b) Lupiao Commercial is ultimately beneficially owned as to in aggregate 50.00% by Mr. Cheung, the chairman, an executive Director and a controlling shareholder of the Company, Mr. Mei and Mr. Zhang. As such, Lupiao Commercial is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules;

(c) Xinji Industry is ultimately beneficially owned as to 42.00% and 8.00% by Mr. Cheung and Mr. Zhang respectively. As such, Xinji Industry is an associate of Mr. Cheung and a connected person of the Company under Chapter 14A of the Listing Rules;

(d) Maojia Trading is ultimately beneficially owned as to in aggregate 51.00% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Maojia Trading is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules;

(e) Kuiran Commercial is ultimately beneficially owned as to 40.00% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Kuiran Commercial is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules; and

(f) Xinji Century is ultimately beneficially owned as to in aggregate 52.50% by Mr. Cheung, Mr. Mei and Mr. Zhang. As such, Xinji Century is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company under Chapter 14A of the Listing Rules.

Continuing connected transactions

As the Target Companies will become indirect wholly-owned subsidiaries of the Company upon completion of the Acquisitions, (i) the transactions between Target Company I and each of Yingbin Investment, Lupiao Commercial, Xinji Industry, Maojia Trading and Kuiran Commercial under the Xiajiao Property Management Services Entrustment Agreements, the Shangjiao Property Management Services Entrustment Agreement and the Yuedao Property Management Services Entrustment Agreement; and (ii) the transactions between Target Company II and Xinji Century under the Xinji Plaza Property Management Services Entrustment Agreement will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors confirm that they are of the view that these continuing connected transactions will be conducted in the normal course of business of the Group and based on normal commercial terms.

Annual fees under the Property Management Services Entrustment Agreements and Xiajiao Property Management Agreement

Target Company I will not receive any fee under Xiajiao Property Management Services Entrustment Agreement I, Xiajiao Property Management Services Entrustment Agreement II, the Shangjiao Property Management Services Entrustment Agreement and the Yuedao Property Management Services Entrustment Agreement. Target Company II will not receive any fee under the Xinji Plaza Property Management Services Entrustment Agreement.

Further, based on the historical fees in the total amount of approximately RMB820,000 received by Vendor I from (i) Lupiao Commercial for provision of additional property management services in relation to the operation of Xiajiao Commercial Building*; and (ii) Xinji Industry for provision of property management services for the shop at Xinji Plaza Hall A* (信基廣場A館) rented by Xinji Industry for the period from July 2020 to June 2021, it is estimated that the maximum aggregate amount, on an annual basis, to be received by Target Company I from Lupiao Commercial and Xinji Industry under Xiajiao Property Management Services Entrustment Agreement III and the Xiajiao Property Management Agreement respectively shall be less than HK$3 million.

Listing Rules implications

As all of the applicable percentage ratios with reference to the maximum aggregate amount, on an annual basis, to be received by the Target Companies from Lupiao Commercial and Xinji Industry under the Property Management Services Entrustment Agreements and Xiajiao Property Management Agreement respectively are less than 5% with the total consideration being less than HK$3 million, the transactions contemplated thereunder is exempt from the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

INFORMATION ON THE PARTIES

The Purchaser

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property management services.

Vendor I and Yishen Commercial

Vendor I is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Vendor I is beneficially owned as to approximately 90.25% by Yishen Commercial, 5.00% by Zhongying Shengda, 2.04% by Mr. Zhang, 2.04% by Mr. Mei and 0.67% by Mr. Cheung. Yishen Commercial is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Yishen Commercial is beneficially owned as to approximately 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Accordingly, Mr. Cheung, Mr. Mei and Mr. Zhang are in aggregate beneficially interested in 95.00% of the equity interests in Vendor I. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhongying Shengda and its ultimate beneficial owner(s) is an Independent Third Party.

Vendor I is principally engaged in provision of property management services to commercial properties developed by the Xinji Group, which excludes wholesale shopping malls. Services provided by Vendor I include repair and maintenance of properties and equipment, vehicle parking and care services, public order maintenance, public area and public facilities management, sanitation management, green area management, fire safety management and property management.

Vendor II, Xinji Company and Meisha Investment

Vendor II is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Xinji Company and Meisha Investment are holding in aggregate 42.50% and 10.00% respectively of the equity interests in Target Company II on trust for Mr. Cheung, Mr. Mei and Mr. Zhang respectively. Xinji Company is a company established in the PRC with limited liability and is principally engaged in investment holding. Xinji Company is beneficially owned as to approximately 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Meisha Investment is a company established in the PRC with limited liability and is principally engaged in investment holding. Meisha Investment is beneficially owned as to approximately 42.86% by Mr. Cheung, 42.86% by Mr. Mei and 14.28% by Mr. Zhang. Accordingly, Mr. Cheung, Mr. Mei and Mr. Zhang are in aggregate beneficially interested in 52.50% of the equity interests in Vendor II.

Target Company II is also beneficially owned as to approximately (i) 10.00% by each of Yingde Shilihe, Shunde Zhenkun and Shunde Yuxing; (ii) 5.00% by each of the three other minority shareholders; and (iii) 2.50% by another minority shareholder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Yingde Shilihe, Shunde Zhenkun, Shunde Yuxing, the remaining minority shareholders of Vendor II and its ultimate beneficial owner(s) (where applicable) is an Independent Third Party.

Vendor II is principally engaged in provision of property management services to commercial properties developed by the Xinji Group, which excludes wholesale shopping malls. Services provided by Vendor II include repair and maintenance of properties and equipment, vehicle parking and care services, public order maintenance, public area and public facilities management, sanitation management, fire safety management and property management.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENTS

The Company is incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC, with four main business segments, namely (i) shopping malls including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) managed shopping mall; (iii) online shopping mall for sales of hospitality supplies and home furnishings; and (iv) exhibition management business.

The Group has been offering property management services to tenants under the property management agreements, focusing on shopping malls, hotel buildings and serviced apartments. As disclosed in the annual report of the Company on 21 April 2022, the revenue from the Group's property management services increased from approximately RMB26.21 million for the year ended 31 December 2020 to approximately RMB30.25 million for the year ended 31 December 2021, representing an increase of approximately RMB4.04 million or 15.41%. Accordingly, the Directors consider that the property management business is relatively less affected by the impact of the COVID-19 outbreak and is able to bring in a steady stream of income for the Group. The Group has plans to further expand the property management business through further investment of resources or acquisition of suitable target. The Directors consider that the Acquisitions will enable the Group to leverage on the established business of the Target Companies to expand the depth and breadth of its property management business encompassing commercial complex in addition to shopping malls for hospitality supplies and home furnishings, which will in turn increase the Group's source of income, reinforce its financial position, increase its brand awareness and further strengthen its overall market position.

The Directors (including the independent non-executive Directors who have expressed their views after taking into account the opinion and advice from the Independent Financial Adviser but excluding Mr. Cheung, Mr. Mei and Mr. Zhang who had abstained from voting on the Board resolutions) consider that the Acquisitions are on normal commercial terms or better, and the terms of the Share Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang has a material interest in the Acquisitions and has abstained from voting on the Board resolution(s) for considering and approving the Share Transfer Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Acquisitions and therefore none of the other Directors are required to abstain from voting on the Board resolution(s) for considering and approving the Share Transfer Agreements and the transactions contemplated thereunder.

VALUATION

According to the Valuation Report, the market value of the entire equity interests of Target Company II as at 31 December 2021 using the discounted cash flow method of the income approach amounted to approximately RMB24.69 million. As the discounted cash flow method of the income approach was applied in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.62 of the Listing Rules, details of the principal assumptions upon which the Profit Forecast is based are as follows:

Principal assumptions

(a) There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Companies;

(b) There will be no major changes in the current taxation law in the country that the Target Companies are operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

(c) Exchange rates and interest rates will not differ materially from those presently prevailing;

(d) The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the management of the Company;

(e) The availability of finance will not be a constraint on the forecast growth of Target Company II's operation in accordance with the Projection;

(f) The Target Companies will retain and have competent management, key personnel, and technical staff to support their ongoing operation;

(g) Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate; and

(h) Target Company II would remain as the assigned property management company of Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場).

The Board has reviewed the principal assumptions upon which the Profit Forecast was based on and are of the view that the Profit Forecast was made after due care and enquiry.

Linksfield CPA, the reporting accountant of the Company, has also reviewed the calculations of the discounted future estimated cash flows upon which the Valuation prepared by the Valuer was based on.

A letter from the Board and a letter from Linksfield CPA are included in Appendix II and Appendix III to this circular for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Acquisitions, on a standalone basis, and the applicable percentage ratios of Share Transfer II when aggregated with Share Transfer I in accordance with Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisitions constitute disclosable transactions on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor I is ultimately beneficially owned as to 95.00% in aggregate by (i) Mr. Cheung, being an executive Director, the chairman of the Board and a controlling shareholder of the Company; (ii) Mr. Mei, being an executive Director and a controlling shareholder of the Company; and (iii) Mr. Zhang, being an executive Director and a controlling shareholder of the Company. Accordingly, Vendor I is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer I constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable date, Vendor II is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang. Accordingly, Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Share Transfer Agreements and the transactions contemplated thereunder. Red Solar Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Share Transfer Agreements and the transactions contemplated thereunder. As Mr. Cheung, Mr. Mui and Mr. Zhang and their associates, including Honchuen Investment, Zuoting Investment and Weixin Development, have material interests in the Acquisitions, each of them is required to abstain from voting at the EGM on the resolutions approving the same. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Acquisitions and is required to abstain from voting on the resolution(s) approving the Share Transfer Agreements and the transactions contemplated thereunder at the EGM.

As completion of the Acquisitions is conditional upon fulfilment or, if applicable, waiver of the conditions precedent set out in the Share Transfer Agreements, the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at the Conference Room, 2nd Floor, Xinjicheng Club, No. 250, Intersection of Nanda Road, Panyu District, Guangzhou, PRC on Wednesday, 8 June 2022 at 10:00 a.m. is set out on pages 107 and 109 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.xjsx.net.cn). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:00 a.m. (Hong Kong Time) on Monday, 6 June 2022 (being not less than 48 hours before the time of the EGM) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 1 June 2022.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisitions are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Transfer Agreements and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 and 42 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from Red Solar Capital set out on pages 43 to 70 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Share Transfer Agreements and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Xinji Shaxi Group Co., Ltd
Cheung Hon Chuen
Chairman

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3603)

13 May 2022

To the Independent Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES

We refer to the circular of the Company dated 13 May 2022 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to consider the Share Transfer Agreements and the transactions contemplated thereunder as to whether the Share Transfer Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Red Solar Capital has been appointed to advise us and the Independent Shareholders as to whether (i) the Share Transfer Agreements were entered into on normal commercial terms; and (ii) the terms of the Share Transfer Agreements are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole.

Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 43 to 70 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 10 to 40 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Share Transfer Agreements and the advice of Red Solar Capital, we are of the opinion that, although the Acquisitions are not in the ordinary and usual course of business of the Group, (i) the Share Transfer Agreements were entered into on normal commercial terms; and (ii) the terms of the Share Transfer Agreements and the transactions contemplated thereunder are 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. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Share Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Xinji Shaxi Group Co., Ltd

Dr. Zeng Zhaowu	**Mr. Tan Michael Zhen Shan**	**Dr. Zheng Decheng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Acquisitions for the purpose of inclusion in this Circular.

綽耀資本 REDSOLAR

Unit 402B, 4/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

13 May 2022

To: *The Independent Board Committee and the Independent Shareholders of*
Xinji Shaxi Group Co., Ltd

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE 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 Acquisitions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 13 May 2022 (the "**Circular**"), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

References are made to (i) the announcement of the Company dated 15 March 2022 in relation to, among other things, the Acquisitions (the "**Announcement**"); and (ii) the Circular.

Share Transfer Agreement I

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, Vendor I, Target Company I and Guarantors I entered into the Share Transfer Agreement I pursuant to which the Purchaser conditionally agreed to acquire and Vendor I conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I, at the total consideration of RMB75.00 million. Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I under the Share Transfer Agreement I during the Guaranteed Period. Upon completion of Share Transfer I, Target Company I will become an indirect wholly-owned subsidiary of the Company.

Share Transfer Agreement II

On 15 March 2022 (after trading hours of the Stock Exchange), the Purchaser, Vendor II, Target Company II and Guarantors II entered into the Share Transfer Agreement II pursuant to which the Purchaser conditionally agreed to acquire and Vendor II conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II, at the total consideration of RMB24.00 million. Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II under the Share Transfer Agreement II during the Guaranteed Period. Upon completion of Share Transfer II, Target Company II will become an indirect wholly-owned subsidiary of the Company.

Listing Rules implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Acquisitions, on a standalone basis, and the applicable percentage ratios of Share Transfer II when aggregated with Share Transfer I in accordance with Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the Acquisitions constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor I is ultimately beneficially owned as to 95.00% in aggregate by (i) Mr. Cheung, being an executive Director, the chairman of the Board and a controlling shareholder of the Company; (ii) Mr. Mei, being an executive Director and a controlling shareholder of the Company; and (iii) Mr. Zhang, being an executive Director and a controlling shareholder of the Company. Accordingly, Vendor I is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer I constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Vendor II is ultimately beneficially owned as to 52.50% in aggregate by Mr. Cheung, Mr. Mei and Mr. Zhang. Accordingly, Vendor II is an associate of Mr. Cheung, Mr. Mei and Mr. Zhang and a connected person of the Company. Share Transfer II constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Share Transfer Agreements and the transactions contemplated thereunder. We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in the same regard and on how to vote at the EGM.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Acquisitions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the Target Companies, the Vendors, the Guarantors I, the Guarantors II or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Acquisitions 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 relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed the documents including but not limited to (i) the Share Transfer Agreements; (ii) the Circular and the Letter from the Board contained therein; (iii) the annual report and the interim report of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively (the "**2020 Annual Report**" and "**2021 Interim Report**", respectively) and the annual results announcement of the Company for the year ended 31 December 2021 (the "**2021 Annual Results Announcement**") dated 25 March 2022; (iv) the Valuation Report prepared by the Valuer; and (v) the relevant supporting documents provided by the Company to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. On top of the aforesaid assumptions, we have (i) obtained all information and documents of the Company which we considered relevant to our assessment of the fairness and reasonableness of the terms of the Acquisitions; (ii) conducted our own research on the relevant market conditions and trends relevant to the Acquisitions; (iii) reviewed the fairness, reasonableness and completeness of the assumptions and projections relevant to the Acquisitions, including but not limited to, the Valuation; and (iv) assessed the independence, qualifications, expertise and experience of the Valuer and its terms of engagement with the Company in respect of the Valuation. All of the aforesaid work done have been discussed in detail in the relevant part in this letter of advice. In the course of carrying out the aforesaid work, we were not aware of any material difference between the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group and those found by us during our independent work, nor had we doubted that any material information or facts may have been omitted. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. Based on all the above, we have no reason to suspect that any material facts or information have 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 Company, its management and/or advisers, which have been provided to us. We considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We therefore considered that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with note 1 to Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group and the Target Companies, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information. Nonetheless, we have ensured that references were only made to information from credible sources such as governments, authorities or nation-wide institutions which are generally believed to be free from bias and backed by real data. We have also ensured that the information in this letter of advice that has been extracted from published or otherwise publicly available sources generally aligned with other relevant information from other available source or from our own desktop search in respect of similar subject and there is no material conflict therebetween. In this sense, we considered that where information in this letter of advice has been extracted from published or otherwise publicly available sources, such information has been reasonably substantiated.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Acquisitions, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisitions

(a) Background information of the Group

With reference to the Letter from the Board, the Group is principally engaged in the operation of shopping malls for hospitality supplies and home furnishings which generated rental revenue in the PRC, with four main business segments, namely (i) shopping malls including three shopping malls for hospitality supplies and two shopping malls for home furnishings; (ii) managed shopping mall; (iii) online shopping mall for sales of hospitality supplies and home furnishings; and (iv) exhibition management business.

The following is a summary of the key financial information of the Group for each of the three years ended 31 December 2021 (the "**FY2019**", "**FY2020**" and "**FY2021**", respectively) as extracted from the 2020 Annual Report and the 2021 Annual Results Announcement, respectively:

	For the FY2021	**For the FY2020**	**For the FY2019**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	267,536	287,938	303,083
Operating (loss)/profit	(221,058)	118,888	207,577
(Loss)/Profit for the year	(214,925)	31,911	101,450

	As at 31 December 2021 *RMB'000* (unaudited)	As at 31 December 2020 *RMB'000* (audited)	As at 31 December 2019 *RMB'000* (audited)
Total assets	3,100,656	3,288,482	3,289,969
Total liabilities	1,420,917	1,394,118	1,408,200
Net assets	1,679,739	1,894,364	1,881,769

Comparison between FY2019 and FY2020

According to the 2020 Annual Report, the Group's principal activities could be summarised into managing owned/leased portfolio shopping mall which derives revenue from leasing floor areas to the tenants and providing comprehensive and continuous operation and management support to them, and hence the management of the Company reviews the operating results of the Group's business as one segment.

The Group's revenue decreased by approximately RMB15.15 million, or approximately 5.00%, from approximately RMB303.08 million for FY2019 to approximately RMB287.94 million for FY2020. As set out in the 2020 Annual Report, such decrease was mainly attributable to the unfavourable business and economic environment during the year caused by a variety of negative factors including the outbreak of COVID-19, trade disputes between the United States and PRC. While the Group has been able to maintain a profit-making position for FY2020, its operating profit and profit for the year dropped by approximately 42.73% and 68.55%, respectively, due to the aforesaid reasons and significant fair value losses on investment properties.

Comparison between FY2020 and FY2021

The Group's revenue decreased by approximately RMB20.4 million, or approximately 7.09%, from approximately RMB287.94 million for FY2020 to approximately RMB267.54 million for FY2021. According to the 2021 Annual Results Announcement, such decrease could be attributed to the decline in the Group's revenue generated by its shopping malls which was in turn primarily a result of rental concession policies provided for construction enclosure of centers and malls for the impact of COVID-19 pandemic. The Group's operating profit of approximately RMB118.89 million for FY2020 also deteriorated to operating loss of approximately RMB221.06 million for FY2021, which was primarily a result of an increase in fair value losses on investment properties from approximately RMB79.27 million to RMB401.52 million between the aforesaid years.

Prospects

As reflected in the 2020 Annual Report, 2021 Interim Report and 2021 Annual Results Announcement, the management of the Company determined to maintain the model of rapid development of light asset projects to further expand the market share and brand influence of Xinji Shaxi. In addition, the Company intended to further explore business opportunities that may bring income to the Group in the property management business since the importance of the role of property service companies in creating a safe and secure community environment and providing value-added quality service for owners during the epidemic was realised after the outbreak of COVID-19. The Group also seeks to establish a vertical e-commerce platform for the hospitality supplies industry to adapt to the new business demand and environment under the COVID-19 pandemic.

(b) Reasons for and benefits of the Acquisitions

As set out in the Letter from the Board and reflected in the 2020 Annual Report, 2021 Interim Report and 2021 Annual Results Announcement, the Group has been offering property management services to tenants under the property management agreements, focusing on shopping malls, hotel buildings and serviced apartments. The Directors also considered the Group's property management business to be relatively less affected by the COVID-19 outbreak taking into account the growth in the Group's revenue from property management services between FY2020 and FY2021. The Group also intended to further expand its property management business through the Acquisitions as the Directors believed that it could enable the Group to leverage on the established business of the Target Companies to expand the depth and breadth of its property management business encompassing commercial complex in addition to shopping malls for hospitality supplies and home furnishings, which will in turn increase the Group's source of income, reinforce its financial position, increase its brand awareness and further strengthen its overall market position.

In assessment of the Group's intentions and reasons in respect of the Acquisitions, we have considered the following factors:

i. The principal activities of the Target Companies aligned with the Group's business development strategy

Target Company I is the transferee of the Transferred Business I, which comprised of property management business encompassing the management of various commercial complex, pursuant to a business transfer agreement dated 19 October 2021 and entered into between Vendor I and Target Company I. As at the Latest Practicable Date, Target Company I has entered into respective property management services entrustment agreement with various respective property developers regarding a total of five commercial or comprehensive premises, pursuant to which Target Company I will provide management services in respect of the aforesaid premises.

On the other hand, Target Company II is the transferee of the Transferred Business II, which also comprised of property management business encompassing the management of a commercial complex, pursuant to a business transfer agreement dated 23 December 2021 and entered into between Vendor II and Target Company II. As at the Latest Practicable Date, Target Company II has entered into a property management services entrustment agreement with a property developer, pursuant to which Target Company II will provide management services in respect of the commercial complex developed by such property developer which has a total gross floor area of over 58,000 square meters and approximately 90 tenants in total.

Based on the background of Target Company I and Target Company II, and the Group's future plans as set out in the 2020 Annual Report and 2021 Interim Report, we considered that the principal activities of the Target Companies aligned with the development direction of the Group, and hence it is reasonable for the Group to carry out the Acquisitions of the Target Companies.

ii. The Target Companies could bring stable revenue inflows to the Group after completion of the Acquisitions

Based on the unaudited management account of Target Company I, from the period since its establishment on 10 August 2021 up to 31 December 2021, Target Company I recorded a net profit before tax of approximately RMB1,506,000 and net profit after tax of approximately RMB1,430,000. Its net asset value as at 31 December 2021 was approximately RMB1,460,000. In addition, as discussed previously, Target Company I has already entered into respective property management services entrustment agreement with various respective property developers regarding a total of five commercial or comprehensive premises, pursuant to which Target Company I will provide management services thereto, as at the Latest Practicable Date. Pursuant to such property management services entrustment agreements, the premises managed by Target Company I have an aggregate gross floor area of over 220,000 square meters and over 3,700 tenants in total.

On the other hand, although Target Company II has a relatively shorter business track record, it has also already entered into a property management services entrustment agreement with a property developer to provide management services for a commercial complex having a total gross floor area of over 58,000 square meters and approximately 90 tenants in total as at the Latest Practicable Date.

Taking into account the financial track record of Target Company I, and that both the Target Companies have secured various property management services entrustment agreements with property developers, we considered that the Target Companies will be able to bring stable revenue inflows to the Group after completion of the Acquisitions.

Considering that (i) the principal activities of the Target Companies aligned with the Group's principal business and future development strategy; (ii) Target Company I is already in profit-making position according to its financial track record; and (iii) both Target Companies have already secured various property management services entrustment agreements with property developers which implied that they will be able to bring stable revenue inflows to the Group after completion of the Acquisitions, we considered the Acquisitions to be reasonable and beneficial to, and in the interest of, the Group.

2. Principal terms of the Share Transfer Agreements

(a) The Share Transfer Agreement I

The principal terms of the Share Transfer Agreement I are summarised as follows:

Date: 15 March 2022 (after trading hours of the Stock Exchange)

Parties:

(1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;

(2) Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), as vendor;

(3) Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司), as target company;

(4) Guangzhou Yishen Commercial Operation Co., Ltd* (廣州億燊商業營運有限公司), as guarantor;

(5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;

(6) Mr. Mei Zuoting (梅佐挺), as guarantor; and

(7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor I has conditionally agreed to dispose of Sale Shares I, representing the entire equity interests in Target Company I.

Consideration I and payment terms

The total consideration for the sale and purchase of Sale Shares I is RMB75.00 million, which shall be payable by the Purchaser to Vendor I in the following manner:

(a) RMB11.25 million, representing 15.0% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement I;

(b) RMB26.25 million, representing 35.0% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company I to the Purchaser;

(c) RMB18.75 million, representing 25.0% of the consideration as the third instalment, shall be payable before 31 January 2023; and

(d) RMB18.75 million, representing 25.0% of the consideration as the final instalment, shall be payable before 31 January 2024.

Vendor I and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement I.

Basis of determining Consideration I

Consideration I was determined after arm's length negotiations between Vendor I and the Purchaser with reference to the valuation of the entire equity interests in Target Company I of approximately RMB75.06 million as at 31 December 2021 carried out by the Valuer using the comparable transaction method under market approach, which in turn was based on the historical net profit of approximately RMB6.20 million generated from Transferred Business I for the year ended 31 December 2021 (which comprised of the net profit generated from Transfer Business I of approximately RMB5.30 million for the ten-month period from 1 January 2021 to 30 October 2021 based on the financial information provided by Vendor I and the net profit of approximately RMB0.90 million for the two-month period from 1 November 2021 to 31 December 2021 based on the management accounts of Target Company I) and the median price-to-earnings ratio of approximately 12.1 derived from comparable transactions relating to acquisition of companies with majority of revenue generated from real estate property management and related businesses in the PRC.

The Company intends to satisfy Consideration I by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent I

Completion of Share Transfer I is conditional upon fulfilment or waiver (as the case may be) of various conditions precedent. Please refer to the paragraphs headed "Conditions Precedent I" in the Letter from the Board for details.

Profit Guarantee I

Vendor I irrevocably and unconditionally guaranteed to the Purchaser and Target Company I that the accumulated audited net profit after tax of Target Company I solely derived from Transferred Business I for the Guaranteed Period shall be not less than RMB31 million.

The amount of Guaranteed Profit I was determined after arm's length negotiations between Vendor I and the Purchaser with reference to (i) the historical net profit of approximately RMB6.20 million generated from Transferred Business I for the year ended 31 December 2021; and (ii) the 5-year Guaranteed Period.

In the event that the actual accumulated audited net profit after tax (excluding any extraordinary or exceptional items) solely derived from Transferred Business I for the Guaranteed Period is less than Guaranteed Profit I, Vendor I shall pay such shortfall to Target Company I in cash on dollar-for-dollar basis within five business days upon receipt of notice in writing from the Purchaser.

The Company will publish further announcement(s) to inform the Shareholders whether Guaranteed Profit I have been met and comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet Guaranteed Profit I. The Company will also disclose whether the actual performance of Target Company I solely derived from Transferred Business I for the Guaranteed Period meet Guaranteed Profit I in its next annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Other undertakings given by Vendor I

Vendor I irrevocably undertakes to the Purchaser the following:

(a) in the event that the actual operating expenses on the date of completion of Share Transfer I is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company I, Vendor I shall pay such discrepancy to Target Company I; and

(b) in the event that Target Company I suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement I, Vendor I shall compensate all losses of Target Company I arising thereto in accordance with the relevant PRC laws.

Guarantee

Guarantors I have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor I under the Share Transfer Agreement I during the Guaranteed Period.

(b) The Share Transfer Agreement II

The principal terms of the Share Transfer Agreement II are summarised as follows:

Date: 15 March 2022 (after trading hours of the Stock Exchange)

Parties:

(1) Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司), as purchaser;

(2) Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), as vendor;

(3) Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司), as target company;

(4) Xinji Group Company Limited* (信基集團有限公司), as guarantor;

(5) Mr. Cheung Hon Chuen (張漢泉), as guarantor;

(6) Mr. Mei Zuoting (梅佐挺), as guarantor; and

(7) Mr. Zhang Weixin (張偉新), as guarantor

Assets to be acquired

The Purchaser has conditionally agreed to acquire and Vendor II has conditionally agreed to dispose of Sale Shares II, representing the entire equity interests in Target Company II.

Consideration II and payment terms

The total consideration for the sale and purchase of Sale Shares II is RMB24.00 million, which shall be payable by the Purchaser to Vendor II in the following manner:

(a) RMB3.6 million, representing 15% of the consideration as the first instalment, shall be payable within five business days upon fulfilment or waiver of all the conditions precedent under the Share Transfer Agreement II;

(b) RMB8.4 million, representing 35% of the consideration as the second instalment, shall be payable within thirty days upon transfer of the entire equity interests in Target Company II to the Purchaser;

(c) RMB6.0 million, representing 25% of the consideration as the third instalment, shall be payable before 31 January 2023; and

(d) RMB6.0 million, representing 25% of consideration as the final instalment, shall be payable before 31 January 2024.

Vendor II and the Purchaser shall bear their respective costs and expenses, including but not limited to the fees and taxes charged by the relevant government authorities, incurred from the execution and performance of the Share Transfer Agreement II.

Basis of determining Consideration II

Consideration II was determined after arm's length negotiations between Vendor II and the Purchaser with reference to the valuation of the entire equity interests in Target Company II of approximately RMB24.69 million as at 31 December 2021 carried out by the Valuer using the discounted cash flow method of the income approach.

The Company intends to satisfy Consideration II by utilising part of the IPO Net Proceeds as well as the internal resources of the Group.

Conditions Precedent II

Completion of Share Transfer II is conditional upon fulfilment or waiver (as the case may be) of various conditions precedent. Please refer to the paragraphs headed "Conditions Precedent II" in the Letter from the Board for details.

Profit Guarantee II

Vendor II irrevocably and unconditionally guaranteed to the Purchaser and Target Company II that the accumulated audited net profit after tax of Target Company II solely derived from Transferred Business II for the Guaranteed Period shall be not less than RMB17.29 million.

The amount of Guaranteed Profit II was determined after arm's length negotiations between Vendor II and the Purchaser with reference to the forecasted net profit to be generated from Transferred Business II during the Guaranteed Period.

In the event that the actual audited accumulated net profit after tax (excluding any extraordinary or exceptional items) solely derived from Transferred Business II for the Guaranteed Period is less than Guaranteed Profit II, Vendor II shall pay such shortfall to Target Company II in cash on dollar-for-dollar basis within five business days upon receipt of notice in writing from the Purchaser.

The Company will publish further announcement(s) to inform the Shareholders whether Guaranteed Profit II have been met and comply with the disclosure requirements under Rules 14.36B and 14A.63 of the Listing Rules if the actual performance fails to meet Guaranteed Profit II. The Company will also disclose whether the actual performance of Target Company II solely derived from Transferred Business II for the Guaranteed Period meet Guaranteed Profit II in its next annual report as required under Rules 14.36B(3) and 14A.63(3) of the Listing Rules.

Other undertakings given by Vendor II

Vendor II irrevocably undertakes to the Purchaser the following:

(a) in the event that the actual operating expenses on the date of completion of Share Transfer II is more than 5% over the estimated amount of operating expenses set out in the financial statements of Target Company II, Vendor II shall pay such discrepancy to Target Company II; and

(b) in the event that Target Company II suffers from losses or incurred liabilities during the Guaranteed Period as a result of certain matters which took place prior to the execution of the Share Transfer Agreement II, Vendor II shall compensate all losses of Target Company II arising thereto in accordance with the relevant PRC laws.

Guarantee

Guarantors II have irrevocably and unconditionally guaranteed on a joint and several basis to the Purchaser the due performance of the obligations and undertakings of Vendor II under the Share Transfer Agreement II during the Guaranteed Period.

3. Our analysis on the principal terms of the Share Transfer Agreements

(a) The basis of determining Consideration I and Consideration II

As set out in the Letter from the Board, both Consideration I and Consideration II were determined with reference to, among other things, the valuation reports prepared by the Valuer in respect of each of the Target Companies. Accordingly, we have conducted the following assessment and analysis into the fairness and reasonableness of the Consideration I and Consideration II, respectively.

(b) Our due diligence work on the Valuer's background, qualifications and experiences

We have interviewed the Valuer and conducted an enquiry into their qualifications and experiences. According to our interview and the information provided by the Valuer, we noted that Mr. Vincent Pang, a managing director of the Valuer and the signor of the Valuation Report, is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors. Mr. Vincent Pang has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC. We have also obtained information on the Valuer's track records on other business valuations and noted that the Valuer had been the valuer for a wide range of private companies in Hong Kong and the PRC. As such, we are of the view that Mr. Vincent Pang and the Valuer are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Target Companies.

We have also enquired with the Valuer as to its independence from the Group and the various parties to the Share Transfer Agreements and were given to understand that the Valuer is an Independent Third Party of the Group and its connected persons. The Independent Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Independent Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Group and its associates.

Furthermore, we also noted from the engagement letter entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation of the Target Companies.

(c) Basis and assumptions adopted in the Valuation Report

We have reviewed the Valuation Report and understand that the Valuation Report was prepared in compliance with the requirements of International Valuation Standards ("**IVS**") on business valuation published by The International Valuation Standards Council. We also noted that the conclusion of value therein relied on the use of a number of assumptions. We have reviewed such assumptions and considered them to be general and commonly adopted assumptions in other valuation reports. Since no other unusual matters had come to our attention in this respect, we considered the basis and assumptions adopted in the Valuation Report to be fair and reasonable.

(d) Valuation methodology

We have discussed with the Valuer on the methodology adopted in valuing the Target Companies as at the valuation date and noted they had considered the three generally accepted valuation approaches, namely the income approach, the market approach and the cost approach. According to the Valuation Report:

"Income Approach:	*The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.* *The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business."*

"Cost Approach:	*The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history."*
"Market Approach:	*The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.* *Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset."*

According to the Valuer, In the appraisal regarding the fair value of the equity value of Target Company I, they have adopted the market approach due to the following reasons: (i) the property management business has been generating stable income for numerous years before transferring to Target Company I, and the relevant property management contracts have been completely transferred to Target Company I as of the Valuation Date; (ii) the Transferred Business I has recorded net profit for the year ended 31 December 2021 based on the information provided by the management of the Company; and (iii) there are sufficient transactions relating to companies in a similar nature and business to that of Target Company I, in which the transaction price multiples could be served as good proxies.

In the appraisal regarding the fair value of the equity value of Target Company II, the Valuer have adopted Income Approach due to the following reasons: (i) prior to completion of the transfer of the property management business of the Plaza to Target Company II, both the rental business and property management business were operated by Vendor II on a consolidated basis. As a result , the property management business segment is unable to be segregated and hence financial statements in relation to the property management business on standalone basis are not available. Given that Target Company II has been established for less than a month, no meaningful financial metrics of Target Company II could be obtained. Market Approach is therefore considered to be inappropriate in determining the equity value of Target Company II as of the Valuation Date; (ii) pursuant to a business transfer agreement dated 23 December 2021 and entered into between Vendor II and Target Company II, Vendor II transferred its property management business to Target Company II. Target Company II has entered into the relevant property management services entrustment agreement in respect of the Plaza as of the Valuation Date; and (iii) 5-year financial projections of Target Company II with reasonable and valid bases is available as provided by the Management, Income Approach is hence considered to be appropriate for the valuation of the equity value of Target Company II.

(e) Our analysis on the valuation methodology used in the Valuation Report

In respect of the market approach adopted in the valuation of Target Company I, we understand that it is a commonly used approach in the open market generally because, given a developed, fair and open market with sufficient market information and the availability of comparable transaction, it could better reflect the expected market price of the subject assets through comparing comparable companies or transactions. We understand that the Valuer specifically adopted the Guideline Transaction Method instead of the Guideline Public Company Method as (i) the stock price of public companies is usually easily affected by short-term market conditions and short-term market speculative activities, whereas the consideration prices of transactions are relatively more stable; and (ii) public companies are usually of a larger market size, which make them less comparable to Target Company I. We agreed with such view of the Valuer, and noted that there are sufficient comparable transactions for the use of Guideline Transaction Method in valuing. Overall, we considered it fair and reasonable to use market approach over other approaches for the valuation of Target Company I as it represents a more direct reflection of the expected market price of Target Company I, and that sufficient comparable transactions were available.

On the other hand, we noted that the Valuer adopted the income approach for the valuation of Target Company II. In assessing whether it is appropriate to adopt the income approach to appraise Target Company II, we have looked into the following factors.

As Target Company II was recently incorporated in 2021 and has been losing making, we considered the cost approach inappropriate as there may not be a high degree of reliability in the value of the asset base of Target Company II, especially when Target Company II was an asset-light company that generally does not rely on a significant amount of fixed assets and equipment during its operation.

On the other hand, we have also assessed whether the market approach is appropriate for appraising Target Company II. Nonetheless, due to the lack of meaningful financial metrics of Target Company II and the early stage of operation of Target Company II, we were unable to identify publicly listed companies in Hong Kong nor subject companies in comparable transactions which were in similar stage of development nor size. Therefore, we agreed that there were insufficient comparable targets with similar size and stage for a meaningful comparison, which is a prerequisite for conducting the market approach. Accordingly, we agree that the market approach is inappropriate for valuing Target Company II.

Finally, we have looked into the IVS where it is set out that the income approach should be used as the primary basis for a valuation under the circumstances when among others, "*reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.*"[#] We noted that a 5-year projection, being from 1 January 2022 to 31 December 2026, has been prepared by the management of the Company and adopted in the valuation of Target Company II. As set out in the paragraphs headed "VALUATION" in the Letter of the Board, such valuation constituted a profit forecast ("**Profit Forecast**") under Rule 14.61 of the Listing Rules and therefore the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. Accordingly, the Company:

(i) obtained a letter from Linksfield CPA, the reporting accountant of the Company, in which Linksfield CPA confirmed that in their opinion, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on in the Valuation; and

(ii) obtained a letter from the Board confirming that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board.

#: https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/valuation/international-valuation-standards-rics2.pdf

Having Considered (i) that the basis and assumptions adopted in the Valuation Report are viewed as fair and reasonable after our review as discussed above; (ii) the aforesaid reasons for not adopting market approach and cost approach in appraising Target Company II; (iii) the availability of a 5-year projection to be adopted in the valuation of Target Company II; (iv) the opinion of Linksfield CPA that, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on in the Valuation; (v) the confirmation of the Board that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board; (vi) that the requirements stipulated under Rule 14.62 of the Listing Rules and the Company's work conducted as a result could safeguard the interest of the Independent Shareholders, we were of the opinion that it is appropriate for the Valuer to adopt income approach in appraising Target Company II.

(f) Valuation of Target Company I

We have discussed with the Valuer on their selection criteria of comparable transactions in determining the value of Target Company I and noted that the selection criteria for the comparable transactions are (i) the transaction being announced within two years prior to the Valuation Date; (ii) the transaction having been completed as of the Valuation Date; (iii) the acquiree being principally engaged in the provision of property management and related services (i.e. over 50% of total revenue); (iv) the acquiree being principally operated in the PRC; and (v) the financial information of the transaction being available to the public. We considered the aforesaid selection basis of comparable transactions to be fair and reasonable and in line with market practice.

We have then conducted independent check on the list of selected comparable transactions, which are disclosed on page 83 to 86 of the Circular. During our independent check, we have obtained the source of information of such comparable transactions from the Valuer, and conducted desktop search ourselves to obtain the available information of such comparable transactions for cross-checking. We were not aware of material discrepancy between the data used by the Valuer and the data we obtained during our independent desktop search.

We then understood from the Valuer that they have considered various valuation multiples to be used in the valuation of Target Company I, including price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/earnings before interests, taxes, depreciation and amortisation ("**EV/EBITDA**") and price-to-earnings ("**P/E**") multiples.

The Valuer considered the P/B multiple to be inappropriate for the valuation of Target Company I because book value captures only the tangible assets of a company and, in general, the equity's book value has little bearing with its fair value. Having considered that Target Company I is principally engaged in provision of property management services which is asset-light in general, we agreed with such view of the Valuer for not adopting the P/B multiples.

The Valuer also considered the P/S multiple to be inappropriate as it ignores the cost structure of a company and hence the profitability of a company. We agreed with such point and having also considered that a better alternative, being the P/E multiples, is available, we agreed with such view of the Valuer for not adopting the P/S multiples.

In respect of the EV/EBITDA multiple, according to the Valuer, it uses the market capitalisation of a company as the starting point, considering of the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. However, the use of such multiple requires normalised adjustments on debts and/or non-operating assets/liabilities on Target Company I which may be subjective according to the Valuer. Besides, there is no sufficient publicly available information for deriving the EV/EBITDA multiple of most of the comparable transactions. We agreed with the difficulty in using the EV/EBITDA multiple and hence agreed with such view of the Valuer for not adopting it.

Lastly, the Valuer considered the P/E multiple to be the most appropriate indicator as it is the most relevant and the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value. We understood that P/E multiple, or sometimes called P/E ratio, is indeed an indicator commonly adopted in valuing companies and its use could be widely seen among transactions involving publicly listed companies in Hong Kong and the PRC. As such, we agreed with the Valuer to use the P/E multiple in analysing Target Company I with the comparable transactions.

We noted that the P/E multiples of the companies being the subjects of the comparable transaction ranged from 4.7 to 26.1, with an average of 12.6 and a median of 12.1. We also noted that the Valuer has adopted the median of 12.1 as a benchmark for the valuation of Target Company I as median is less affected by outliers and skewed data, and is usually the preferred measure of central tendency when the distribution is not symmetrical. We agreed with such view, and have also considered that (i) the median of 12.1 is also close to the average of 12.6; (ii) and the median of 12.1 is lower than the average of 12.6, which implied a more conservative valuation that adopting the average.

On the other hand, although we are not a specialist in business valuation and have not made any independent evaluation or appraisal of the assets and liabilities of Target Company I, we have, on a best effort basis, searched for publicly listed companies in Hong Kong which could allow us to conduct independent comparison on the P/E multiple adopted by the Valuer in valuing Target Company I. We have set three selection criteria, being (i) the selected company being principally engaged in property management or related services; (ii) the revenue of the selected company should not exceed RMB100 million to stay comparable in size with Target Company I; and (iii) the selected company being profit-making in its latest audited financial year to allow the calculation of P/E multiple. Based on the aforesaid selection criteria, we were only able to identify Desun Real Estate Investment Services Group Co Ltd (stock code: 2270) as a comparable. Based on its market capitalisation as at 15 March 2022, being the date of the Share Transfer Agreements, of approximately HK$674.66 million (approximately RMB566.39 million) and its net profit of approximately RMB42.91 million for the year ended 31 December 2020, being its latest audited financial year, the P/E multiple of Desun Real Estate Investment Services Group Co Ltd was approximately 13.20 as at the date of the Share Transfer Agreements. Although such P/E multiple should only be taken for the purpose of reference and should in no way be taken as a specialist opinion, having considered that the median P/E multiple of 12.1 adopted in the Valuer's comparable analysis is lower than the P/E multiple of approximately 13.20 of Desun Real Estate Investment Services Group Co Ltd, a publicly listed company in Hong Kong, which is in line with the common market belief that private companies should have discounted valuation multiple when compared with public companies to account for the lack of liquidity, we are of the view that the median P/E multiple of 12.1 adopted in the Valuer's comparable analysis is fair and reasonable.

Having considered (i) the Valuer's whole comparable analysis; (ii) that we agreed with the adoption of the median P/E multiple of 12.1 in the Valuer's comparable analysis; and that (iii) that the median P/E multiple of 12.1 adopted in the Valuer's comparable analysis is no higher than the P/E multiple of a publicly listed comparable company, we are of the view that the adaptation of the median of 12.1 to be the P/E multiple of valuation of Target Company I, and the subsequent valuation of Target Company I based on such P/E multiple of 12.1 and its trailing 12-month net profit, are fair and reasonable.

(g) Valuation of Target Company II

The valuation of Target Company II was based on a 5-year (from 1 January 2022 to 31 December 2026 ("**FY2022**", "**FY2023**", "**FY2024**", "**FY2025**", "**FY2026**" for each of the five years ending 31 December 2026, respectively)) financial projection of Target Company II. The projected revenue of Target Company II is mainly attributable to the provision of property management services to the tenants of the Foshan Jiujiang Xinji Plaza* (佛山九江信基廣場) (the "**Plaza**"). We have reviewed the financial projection of Target Company II and noted that the area under management is expected to increase from 44,064 square meters in FY2022 to 48,064 square meters in FY2024, and remain constant afterwards. The effective unit rate is expected to be RMB 14.44 per month per square meter in FY2022, and is expected to gradually increase to RMB 16.92 per month per square meter in FY2026.

Apart from property management income, Target Company II also generates revenue in relation to advertising board and rental activities in the common area of the Plaza, which accounts for approximately 5.3% to 6.0% of the total revenue. We have reviewed the figures and noted that it remained relatively stable during the period of the Profit Forecast. We also understood that such revenue has been based on the rental income of existing advertising board activities. Having considered the above, we have no doubt on taking into account this part of revenue into the Profit Forecast.

Regarding the projected revenue of Target Company II from the provision of property management services to the tenants of the Plaza, we noted that Target Company II has already entered into the Xinji Plaza Property Management Services Entrustment Agreement (the "**Entrustment Agreement**") with the property developer of the Plaza pursuant to which the property developer of the Plaza shall entrust Target Company II to provide property management services in relation to the operation of the Plaza for a term covering FY2022, FY2023 and FY2024. It is also stipulated in the Entrustment Agreement that Target Company II shall have the right to renew the Entrustment Agreement on substantially the same terms and conditions for successive terms of three years each commencing from the day next after the expiry of the then current term. Besides, we also understood that the Group has established good relationship with the property developer of the Plaza and the Directors were not aware of any factor which may hinder the renewal of the Entrustment Agreement. Based on all the above, we had no doubt on including the revenue of Target Company II from the provision of property management services to the tenants of the Plaza in the financial projection.

We have also enquired into the reason of the expected increase in area under management from 44,064 square meters in FY2022 to 48,064 square meters in FY2024 which will remain constant afterwards. We were given the understanding that approximately 2,000 square meters of such increase were attributable to a potential service contract with a new potential tenant which is in negotiation and which the management considered likely to secure. The remaining expected increase in area under management was made taking into account that certain existing service contracts only covered rents but not management fees due to commercial negotiations at the material time, but will also cover management fees when such contracts renew in FY2024. Having considered the above, obtained and reviewed the relevant communication record and documents and that the Company did not take into account any other increase in expected area under management other than the aforesaid, we considered the expected increase in area under management fair and reasonable.

On the other hand, we have studied the Property Services Price Index Research Report For 2021* (2021年中國物業服務價格指數研究報告) (the "**Research Report**") published by the China Index Academy[#1], being the latest research report in relation to property services published by the China Index Academy, in order to obtain more insight on the property management industry in the PRC. We noted from the website of the China Index Academy[#2] that it is a reputable research institution focusing on the areas of property and related services pricing and has certain of its research work awarded by the National Development and Reform Commission of the PRC Government. It is also stated that the National Bureau of Statistics of the PRC Government has jointly issued the China Real Estate Statistics Yearbook with the China Index Academy for 16 consecutive years. Based on the above, we considered that the China Index Academy is a recognised and credible research institution and it is appropriate to make reference to its research data. According to the Research Report, the Property Services Price Comprehensive Index In 20 Major Cities, which was compiled by the China Index Academy (i) based on the prevailing conditions and developments of the property management industry in the PRC; (ii) based on their research experience; and (iii) covered property services in 20 major cities in the PRC including Guangzhou, for December 2021 increased by approximately 0.43% when compared to that for December 2020, and such increase is higher than the increase in the same index between December 2019 and December 2020 of approximately 0.15%. At the same time, Such index also increased by approximately 0.09% when comparing between November 2021 and December 2021. Having considered the above, we agreed that the price of property management services in the PRC have been gradually increasing in both the past year and recent months. Having also considered that the GDP per capita of the PRC has been growing from 2017 to 2020 and was expected to continue growing afterwards by the International Monetary Fund as disclosed in page 76 of the Circular, which we considered to be likely to continue to drive the demand for economic activities in shopping malls which would in turn drive the demand for commercial property renting and management services and the relevant service prices, we have no doubt on the expected increase in the unit rate of property management services in the Profit Forecast.

[#1]: https://www.waitang.com/report/41194.html
[#2]: https://academy.cih-index.com/

As the adoption of the discounted cash flow method requires an appropriate discount rate for Target Company II, we noted that the Valuer had used the Capital Asset Pricing Model (the "**CAPM**") to estimate the cost of equity, which is then used to calculate the weighted average cost of capital ("**WACC**") for discounting the future cashflow projection into present value. In arriving at the cost of equity, the Valuer took into account various factors including (i) risk-free rate; (ii) systematic risk ("**Beta**"); and (iii) equity market premium.

We understood that the CAPM technique is widely accepted for the purpose of estimating required rate of return on equity. Besides, the Valuer adopted 2.78% as risk-free rate, which was determined with the yield-to-maturity of the government bond with the longest maturity (plus term premium) in the PRC, which we considered to be justifiable.

In addition, we noted that the Valuer calculated re-leveled Beta based on comparable companies with certain criteria, including:

(i) The companies are primarily engaged in the provision of property management services;

(ii) The business activities of the companies with majority of revenue generated from property management services in the PRC;

(iii) The companies are listed in the Stock Exchange with more than 3 years' listing period; and

(iv) The financial information of the companies is available to the public.

We have obtained and reviewed the list of comparable companies used for the purpose of calculating the re-leveled Beta and noted that the comparable companies selected met the selection criteria as aforementioned. We have no doubt on the representativeness of the comparable companies used for the calculation of re-leveled Beta by the Valuer.

Furthermore, the Valuer has took into account small size premium and company specific premium when calculating the final cost of equity to be adopted. The former was to account for the risk associated with general small scale companies, while the later was to account for the uncertainties in achieving the financial projections and future operational risks given that Target Company II has relatively short operating history, as well as the concentration risk with a single mall's operation. We have no doubt on including such premiums into the final cost of equity to be adopted as the adaptation of such premiums was in line with the conditions of Target Company II.

After considering all the above, the Valuer adopted 15.34% as the cost of equity.

In arriving at the cost of debt, the Valuer has adopted the 5 Years Loan Prime Rate of the People's Bank of China of 4.65%, which we considered to be justifiable. The after-tax cost of debt was 3.49% after considering a tax rate of 25% in the PRC.

Having also considered the equity and debt ratio of Target Company II, the Valuer has adopted a WACC of 15.00% in the valuation of Target Company II.

Based on all the above information and documents supplied to us in respect of the valuation of Target Company II, and having considered (i) the opinion of Linksfield CPA that, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Valuation; and (ii) the confirmation of the Board that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board; and (iii) we have not identified any material factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the valuation of Target Company II, we considered the valuation of Target Company II to be fair and reasonable.

(h) Conclusion on Consideration I and Consideration II

Having considered (i) our due diligence work on the Valuation Report as discussed in the sections above; (ii) the Consideration I, being RMB75.00 million, for the entire equity interests in Target Company I is close to and slightly less than the valuation of the entire equity interests of Target Company I of RMB75,061,000; and (iii) the Consideration II, being RMB24.00 million, for the entire equity interests in Target Company II is close to and slightly less than the valuation of the entire equity interests of Target Company II of RMB24,692,000, we are of the opinion that the Consideration I and Consideration II for the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned.

4. Non-competition undertaking and right of first refusal

On 15 March 2022, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Non-Competition Undertaking in favour of the Company pursuant to which Mr. Cheung, Mr. Mei and Mr. Zhang undertakes to the Company that upon completion of the Acquisitions, save for Mr. Cheung, Mr. Mei and Mr. Zhang's indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property (which are principally engaged in the provision of property management services for commercial complex), (i) he will not, without the written consent of the Company, either on his account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any business that is carried on by the Group (including the Target Companies); and (ii) he will procure and cause that each of his associates will observe the restrictions contained in the foregoing provisions of this undertaking.

Each of Mr. Cheung, Mr. Mei and Mr. Zhang further undertakes to dispose of (i) his indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property; or (ii) the property management businesses of Guangzhou Xinji Property and Hubei Xinji Property to third party(ies) within one year after completion of the Acquisitions and grants the Company the right of first refusal for purchasing the said equity interests or property management businesses of Guangzhou Xinji Property and Hubei Xinji Property, subject to compliance with the relevant PRC laws.

Such non-competition undertaking does not apply to any interests in the shares of any member of the Group.

Based on the undertakings of each of Mr. Cheung, Mr. Mei and Mr. Zhang that (i) save for their indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property, they and their associates will not, without the written consent of the Company, either on his account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, partner, agent or otherwise in carrying on any business that is carried on by the Group (including the Target Companies); and (ii) they will eventually dispose of their indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property or their property management businesses within one year after completion of the Acquisitions and that the Company has the right of first refusal for purchasing the said equity interests or property management businesses, we considered the terms of the Non-Competition Undertaking to be in the interests of the Company and its shareholders as a whole, and that the entering into of the Non-Competition Undertaking is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that although the Share Transfer Agreements and the transactions contemplated thereunder, being the Acquisitions, are not in the ordinary and usual course of business of the Group, they are (i) justifiable, fair and reasonable; (ii) in the interests of the Company and the Independent Shareholders as a whole; and (iii) the terms of the Share Transfer Agreements, including the Consideration I and Consideration II, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Besides, the terms of the Non-Competition Undertaking entered into between the Company and Mr. Cheung, Mr. Mei and Mr. Zhang are considered to be in the interest of the Company and the Shareholders as a whole and the entering into of such Non-Competition Undertaking is considered fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Share Transfer Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
RED SOLAR CAPITAL LIMITED

Leo Chan
Managing Director

Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd. (廣州信基優享物業有限公司) and Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) as at 31 December 2021.*

VALUATION REPORT

Valuation Services in relation to the Proposed Acquisition of 100% Equity Interest of

(i) 廣州信基優享物業有限公司; and

(ii) 佛山信基優享商業服務有限公司

Prepared for:

Xinji Shaxi Group Co., Limited

Valuation Date:

31 December 2021

STRICTLY CONFIDENTIAL

Ref. No.: J21-00589
15 March 2022

The Board of Directors
Xinji Shaxi Group Co., Limited
1/F, Xinjicheng Club,
No. 250, Intersection of Nanda Road,
Panyu District, Guangzhou,
PRC

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest of (i) 廣州信基優享物業有限公司 and (ii) 佛山信基優享商業服務有限公司

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a business valuation in connection with the 100% equity interest of Guangzhou Xinji Youxiang Property Company Limited[1] (廣州信基優享物業有限公司) ("**Target Company I**") and Foshan Xinji Youxiang Commercial Service Co., Ltd.[1] (佛山信基優享商業服務有限公司) ("**Target Company II**", together with Target Company I to be collectively referred to as the "**Targets**") as of 31 December 2021 (the "**Valuation Date**"). We understand that Xinji Shaxi Group Co., Limited (the "**Company**" or "**you**") intends to acquire the entire shareholdings of the Targets (the "**Proposed Acquisition**").

It is our understanding that this appraisal will be used as reference to your determining the price for the purchase of the Targets and, where relevant, for disclosure purpose under the requirement of the listing rules of the Hong Kong Stock Exchange (the "**Listing Rules**"). This report (the ‘‘**Report**’’) does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

[1] *For identification purpose only*

BASIS OF ANALYSIS

We have appraised the fair value of 100% equity interest of the Targets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

Xinji Shaxi Group Co Ltd operates and manages hospitality supplies and home furnishing shopping malls in the People's Republic of China (the "**PRC**"). The company has five shopping malls, including three shopping malls for hospitality supplies and two shopping malls for home furnishings. It also rents hospitality supplies; provides exhibition management services; and operates an online shopping mall.

Target Company I was established in the PRC with limited liability on 10 August 2021 as a subsidiary of Guangzhou Xinji Property Management Co., Ltd. ("**Guangzhou Xinji Property Management**" or "**Vendor I**"). Vendor I has transferred certain property management business encompassing the management of commercial complex (the "**Transferred Business**") to Target Company I. Guangzhou Xinji Property Management has provided property management services in relation to the Transferred Business for certain number of years before transferring to Target Company I.

Target Company II was established in the PRC with limited liability on 20 December 2021 as a subsidiary of Foshan Xinji Plaza Management Co., Ltd. ("**Foshan Xinji Plaza Management**", or "**Vendor II**"). Vendor II has transferred the property management business of Foshan Jiujiang Xinji Plaza (佛山九江信基廣場) (the "**Mall**"). Foshan Xinji Plaza Management has provided property management services to the Mall for certain number of years before transferring to Target Company II.

We understand that the Company intends to acquire 100% equity interest of the Targets. As such, the Company would like to assess the fair value of the 100% equity interest of the Targets as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Targets, including the legal documents, licenses, financial statements, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, customer base, business development plan, etc. of the Targets for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Targets made available to us and considered the basis and assumptions of our conclusion of values;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair values of the Targets; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

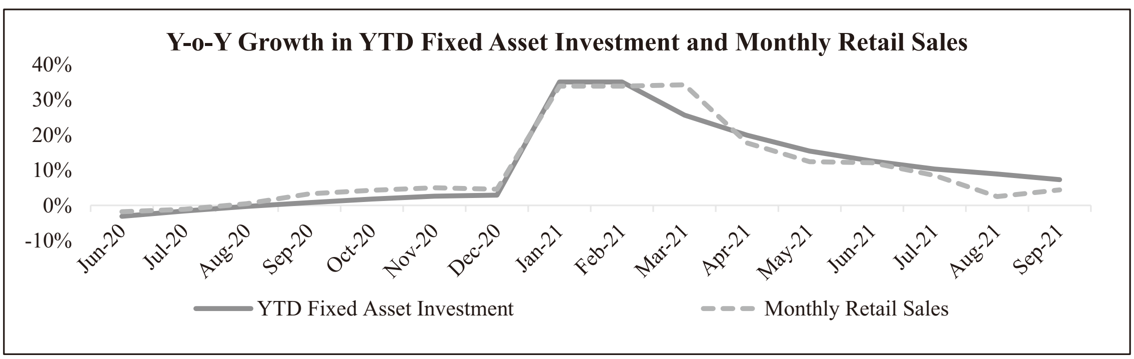
When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Targets and their authorized representatives.

ECONOMY OVERVIEW

Macroeconomic overview of the PRC

Owing to the successful vaccination program and gradual relief from lockdown policies, the global economy sustained a strong recovery from the economic downturn caused by COVID-19 in 2021H1. As the global economy is converging to the pre-pandemic level, the growth momentum has been normalized in 2021Q3. At the same time, due to the highly leveraged real estate industry and the supply chain disruption caused by power usage restriction policy in the PRC, economic prospect of the PRC is under increasing uncertainty.

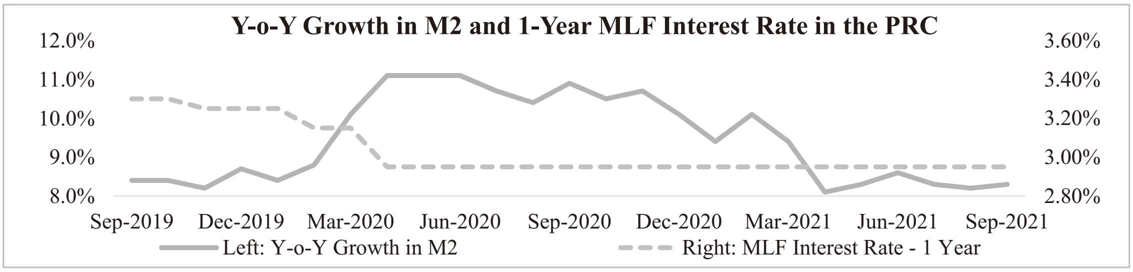
According to the PRC's National Bureau of Statistics ("**NBS**"), the PRC's gross domestic product ("**GDP**") expanded by 4.9% year-over-year ("**y-o-y**") in 2021Q3, a slower pace than the 7.9% y-o-y growth in 2021Q2. In terms of the domestic market, growths in both of consumption and fixed asset investment activities decelerated. Y-o-y growth rate in retail sales continuously decreased to 4.4% in September 2021 from 34.2% in March 2021. Online retail sales accounted for 23.6% of the total retail sales. Meanwhile, the growth in fixed asset investment also slowed down. Year-to-date ("**YTD**") fixed asset investment in the PRC was reported to amount RMB39,782.7 billion in September 2021, indicating a y-o-y growth of 7.3%. The growth was mainly driven by the strong expansion in the manufacturing sector with y-o-y growth of 14.8% in YTD fixed asset investment in September 2021. Beside the domestic economy, according to the PRC's General Administration of Customs, the PRC's international trade value increased by 15.4% y-o-y and reached RMB3,532.9 billion in 2021Q3, in which the export value accounted for RMB1,983.0 billion and recorded a y-o-y growth of 19.9%.



Source: NBS

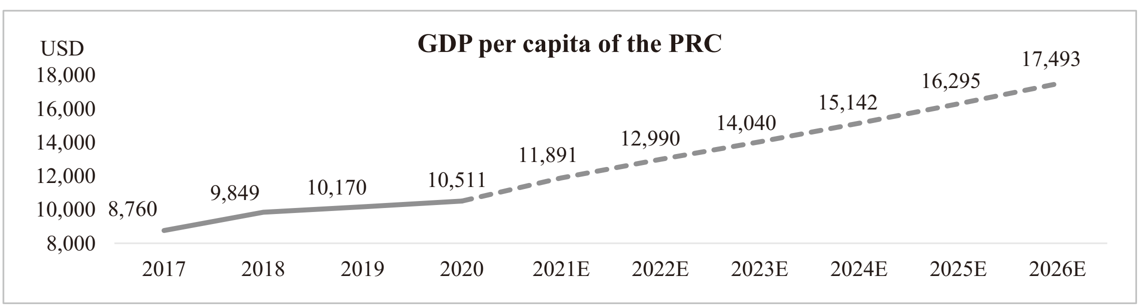
Price level in the PRC is stabilizing after the rapid recovery from COVID-19. The NBS announced a 0.7% y-o-y growth in the consumer price index ("**CPI**") in the PRC in September 2021. The core CPI, which excludes the volatile food and energy prices, was reported to increase by 1.2% y-o-y in September 2021. On the other hand, due to the surging price of energy inputs and producer goods, inflation pressure is emerging from the supply side in the PRC. The producer price index ("**PPI**") grew by 10.7% y-o-y in September 2021. Therefore, the Chinese government strengthened its management of commodity supply and demand in order to prevent sharp rises in prices from being passed on to consumers.

Borrowing costs in the PRC remained stable in the first three quarters of 2021. The interest rate of one-year medium-term lending facility ("**MLF**") loans to financial institutions remained steady at 2.95% as of September 2021, according to the People's Bank of China (the "**PBoC**"). However, the growth of money supply ("**M2**") further eased in the first three quarter of 2021 in light of the weak demand for financing. In September 2021, the M2 growth was reported at 8.3% y-o-y which eased from a higher level around 11% y-o-y in early 2020 when the PBoC announced rate cuts and numerous monetary measures to tackle the virus-induced economic downturn.



Source: NBS, the PBoC

Looking ahead, the PRC's economy is expected to continue to be the bellwether of global recovery, supported by the ongoing growth in private consumption and fixed asset investment. With the government's policy to control inflation pressure, the profit level of the PRC's companies in the downstream sector would follow at the same pace with economic recovery. According to the International Monetary Fund ("**IMF**"), the PRC's GDP per capita is forecasted to continue its growth path going forward to a level of USD17,493 in 2026.



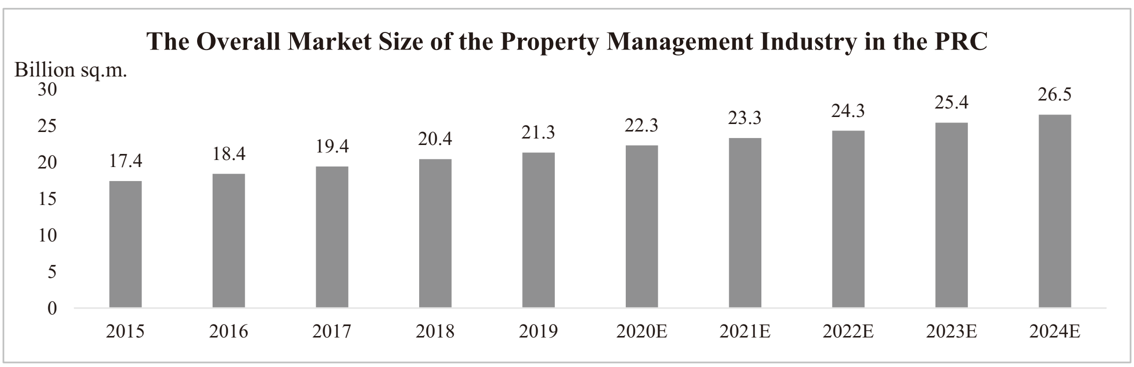
Source: IMF

INDUSTRY OVERVIEW

Overview of Property Management Industry in the PRC

In the early stage of the PRC's property management industry, the market was severely scattered and only few property management services were provided. After the establishment of the China Property Management Association in 2020, more regulations, standards and licenses were set up to better support the development of the property management industry in the PRC. Along with the effect of cancelling the license of Certified Property Manager and removing the management fee cap in the market, the PRC's property management industry was developing rapidly. The industry was getting more mature as more developers entered the market and provided more value-added services. Besides, the outbreak of COVID-19 also facilitated the development of property management industry. Under pandemic situation, preventive measures including temperature taking, record keeping and other security and hygiene measures became one of the most significant factors to prevent the outbreak of COVID-19 in local communities. Property managers are acting a more important role for tenants and property owners after the outbreak of COVID-19 and the importance of property management services has strengthened.

According to Savills, the overall market size of the property management industry in the PRC increased from 17.4 billion square meter in 2015 to 21.3 billion square meter in 2019, representing a compound annual growth rate ("**CAGR**") of 5.2%. Savills also expected that the property management industry in the PRC will continue to grow stably in the coming years due to the stable amount of investment in real estate. According to the National Bureau of Statistics of China ("**NBS**"), the floor space of buildings under construction of enterprises for real estate development has increased from 7,590 million square meter in 2016 to 9,268 million square meter in 2020, representing a CAGR of 5.1% across the period. With the huge amount of floor area under construction, the demand of property management services is expected to increase stably. According to Savills, the overall market size of the property management industry in the PRC will increase at a CAGR of 4.4%, from 22.3 billion square meter in 2020 to 26.5 billion square meter in 2024.



Source: Savills and EH Consulting

LIMITATIONS OF THE REPORT

The Report serves as reference to your determining the price for the purchase of the Targets and, where relevant, for a basis for disclosure purpose under the requirement of the Listing Rules. We will not be liable for any unauthorized use of the report. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Targets).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Targets and the financial projections of Target Company II (the "**Projection**") as of 31 December 2021 provided by the management of the Company (the "**Management**"), whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Targets and specific competitive environments affecting the industry;
- the financial and operating results of the Targets;
- the economic outlook in general and the specific economic and competitive elements affecting the Targets' businesses, their industry and their market;
- the nature and prospects of the industry of the Targets are operating;
- the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- the stage of development of the Targets' operation;
- the business risks of the Targets;
- the price multiples of the comparable companies engaging in business operations similar to the Targets;
- the experience of the management team of the Targets and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Targets;
- There will be no major changes in the current taxation law in the country that the Targets are operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the Management;
- The availability of finance will not be a constraint on the forecast growth of the Foshan Xiji operation in accordance with the Projection;
- The Targets will retain and have competent management, key personnel, and technical staff to support their ongoing operation;
- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate; and
- Target Company II would remain as the assigned property management company of the Mall.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Targets, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Targets:

Income Approach	The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.
Cost Approach	The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.
Market Approach	The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

In the appraisal regarding the fair value of the equity value of Target Company I, we have adopted Market Approach due to the following reasons:

- the property management business has been generating stable income for numerous years before transferring to Target Company I, and the relevant property management contracts have been completely transferred to Target Company I as of the Valuation Date;
- the Transferred Business has recorded net profit for the year ended 31 December 2021 based on the information provided by the Management; and
- there are sufficient transactions relating to companies in a similar nature and business to that of Target Company I, in which the transaction price multiples could be served as good proxies.

In the appraisal regarding the fair value of the equity value of Target Company II, we have adopted Income Approach due to the following reasons:

- Target Company II was established in the PRC with limited liability on 20 December 2021 as a subsidiary of Vendor II. According to Management, prior to completion of the transfer of the property management business of the Mall to Target Company II, both the rental business and property management business were operated by Vendor II on a consolidated basis. As a result , the property management business segment is unable to be segregated and hence financial statements in relation to the property management business on standalone basis are not available. Given that Target Company II has been established for less than a month, no meaningful historical financial metrics of Target Company II could be obtained. Market Approach is therefore considered to be inappropriate in determining the equity value of Target Company II as of the Valuation Date;
- pursuant to a business transfer agreement dated 23 December 2021 and entered into between Vendor II and Target Company II, Vendor II transferred its property management business to Target Company II. Target Company II has entered into the relevant property management services entrustment agreement in respect of the Mall as of the Valuation Date; and
- the management of the Company was able to provide the 5-year financial projections of Target Company II with reasonable and valid bases, Income Approach is hence considered to be appropriate for the valuation of the equity value of Target Company II.

Valuation of the Equity Value of Target Company I – Market Approach

There are two methods commonly used in performing market approach, namely Guideline Transaction Method ("**GTM**") and Guideline Public Company Method ("**GPCM**"). GTM is considered to be more appropriate since the stock price of public companies is usually easily affected by short-term market conditions and short-term market speculative activities, whereas the consideration prices of transactions are relatively more stable. In addition, public companies are usually of a larger market size, which makes them less comparable to Target Company I. Therefore, GTM is considered to be the preferred valuation method under Market Approach. By adopting GTM, we have to select the appropriate comparable transactions. The selection of the comparable transactions was based on the comparability of the overall industry sector of the target companies of these transactions. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

Target Company I is principally engaged in the provision of property management services and related value-added services in the PRC. As a result, we have conducted our research to cover transactions relating to acquisitions of companies with majority of revenue generated from real estate property management and related businesses in the PRC. The comparable transactions are selected with reference to the following selection criteria:

- The transaction was announced within two years prior to the Valuation Date;
- The transaction has been completed as of the Valuation Date;
- The acquiree is principally engaged in the provision of property management and related services (i.e. over 50% of total revenue);
- The acquiree is principally operated in the PRC; and
- The financial information of the transaction is available to the public.

The list of comparable transactions based on the selection criteria is considered to be exhaustive. As of the Valuation Date, none of the acquirees of the comparable transactions are listed company. Details of the comparable transactions are illustrated as follows:

Comparable Transaction 1

Announcement date:	22 December 2021
Acquirer:	Shenzhen Xishui Investment Co., Ltd.
Target name:	Shenzhen Excellence Operation Management Co., Ltd.
Description of the Business:	The acquiree holds 60% equity interests in each of Wuhan Yuyang and Zhejiang Gangwan. Wuhan Yuyang and Zhejiang Gangwan are both companies established in the PRC and are both principally engaged in property management..

Comparable Transaction 2

Announcement date:	22 July 2021
Acquirer:	Hevol Services Group Co. Limited (SEHK:6093)
Target name:	Guiyang Xinglong Property Management Co., Ltd.
Description of the Business:	Guiyang Xinglong Property Management Co., Ltd. operates as a property management company. The company is based in Guiyang, the PRC.

Comparable Transaction 3

Announcement date:	4 March 2021
Acquirer:	Yida China Holdings Limited (SEHK:3639)
Target name:	Yida Property Service Company Limited
Description of the Business:	Yida Property Service Company Limited provides property management services for residential, commercial, and industrial parks. The company was founded in 2000 and is based in Dalian, the PRC.

Comparable Transaction 4

Announcement date:	25 February 2021
Acquirer:	Country Garden Services Holdings Company Limited (SEHK:6098)
Target name:	Sichuan Languang Justbon Services Group Co., Ltd.
Description of the Business:	Sichuan Languang Justbon Services Group Co., Ltd. provides property management services in the PRC. The company was founded in 2000 and is based in Chengdu, the PRC.

Comparable Transaction 5

Announcement date:	7 December 2020
Acquirer:	KWG Living Group Holdings Limited (SEHK:3913)
Target name:	Guangzhou City Runtong Property Management Company Limited (Private Company as of Valuation Date)
Description of the Business:	Guangzhou City Runtong Property Management Company Limited engages in property management business. The company was founded in 1998 and is based in the PRC.

Comparable Transaction 6

Announcement date:	15 October 2020
Acquirer:	Fineland Real Estate Services Group Limited (SEHK:9978)
Target name:	Guangzhou Fineland E-life Service Co., Ltd.
Description of the Business:	Guangzhou Fineland E-life Service Co., Ltd. provides real estate management services. The company was founded in 1996 and is headquartered in Guangzhou, the PRC.

Comparable Transaction 7

Announcement date:	17 May 2020
Acquirer:	Yida China Holdings Limited (SEHK:3639)
Target name:	Dalian Qingyun Sky Property Service Company Limited
Description of the Business:	Dalian Qingyun Sky Property Service Company Limited provides property management services. the company is based in the PRC.

Comparable Transaction 8

Announcement date:	7 May 2020
Acquirer:	S-Enjoy Service Group Co., Limited (SEHK:1755)
Target name:	Chengdu Chengyue Times Property Services Ltd (Private Company as of Valuation Date)
Description of the Business:	Chengdu Chengyue Times Property Services Ltd provides property management services for residential, commercial, office buildings, and industrial parks. The company was founded in 2004 and is based in the PRC.

Comparable Transaction 9

Announcement date:	22 April 2020
Acquirer:	Aoyuan Healthy Life Group Company Limited (SEHK:3662)
Target name:	Easy Life Smart Community (Beijing) Investment Development Co., LTD.
Description of the Business:	Easy Life Smart Community (Beijing) Investment Development Co., LTD. provides property management services. The company was founded in 2003 and is based in Beijing, the PRC.

Comparable Transaction 10

Announcement date:	24 March 2020
Acquirer:	Times Neighborhood Holdings Limited (SEHK:9928)
Target name:	Guangzhou Haoqing Property Management Co., Ltd.
Description of the Business:	Guangzhou Haoqing Property Management Co., Ltd. Offers property management services. The company is based in the PRC.

Comparable Transaction 11

Announcement date:	16 March 2020
Acquirer:	Yincheng Life Service Co., Ltd. (SEHK:1922)
Target name:	Nanjing Huiren Hengan Property Management Co., Ltd.
Description of the Business:	Nanjing Huiren Hengan Property Management Co., Ltd. provides property management services. The company is based in Nanjing, the PRC.

Comparable Transaction 12

Announcement date:	27 February 2020
Acquirer:	Ever Sunshine Lifestyle Services Group Limited (SEHK:1995)
Target name:	Qingdao Yinshengtai Property Management Services Limited
Description of the Business:	Qingdao Yinshengtai Property Management Services Limited engages in property management services of residential and commercial properties. The company is based in the PRC.

After selecting the abovementioned comparable transactions, we have to determine the appropriate valuation multiples for the valuation of Target Company I, in which we have considered price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") and price-to-earnings ("**P/E**") multiples.

The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a company.

The P/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the fair value. Hence, we are of the view that it is not appropriate to adopt the P/S multiple to assess the fair value of a company.

The EV/EBITDA multiple uses the market capitalization of a company as the starting point, considering of the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. Enterprise value generally requires normalized adjustments on debts and/or non-operating assets/liabilities on Target Company I which may be subjective. In addition, there is no sufficient publicly available information for deriving the EV/EBITDA multiple of most of these comparable transactions. As a result, the EV/EBITDA multiple is also not adopted.

The P/E multiple is considered to be the most appropriate indicator as it is the most relevant and the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

The calculation of the P/E multiples of each comparable transaction is tabulated as follow:

No.	**Total Consideration**[(1)] *(RMB'000)*	**% Sought**[(1)]	**Implied 100% Equity Value** *(RMB'000)*	**Financial Reporting Date**	**LTM Net Profits**[(1)] *(RMB'000)*	**Implied P/E**
1	350,000	100.0%	350,000	12/31/2020	56,298	6.2
2	156,800	70.0%	224,000	12/31/2020	15,463	14.5
3	1,273,000	100.0%	1,273,000	12/31/2020	48,840	26.1
4	5,432,323	71.2%	7,632,884	12/31/2020	549,984	13.9
5	214,400	80.0%	268,000	12/31/2019	18,734	14.3
6	68,000	66.3%	102,549	6/30/2020	12,511	8.2
7	2,550	50.0%	5,100	12/31/2019	574	8.9
8	104,550	61.5%	170,000	12/31/2019	16,363	10.4
9	247,904	80.0%	309,880	12/31/2018	22,489	13.8
10	32,723	100.0%	32,723	12/31/2019	3,789	8.6
11	45,900	51.0%	90,000	12/31/2019	4,240	21.2
12	8,640	50.0%	17,280	12/31/2019	3,666	4.7
	Maximum					26.1
	Minimum					4.7
	Average					12.6
	Median[(2)]					**12.1**

Notes:

(1) Data sourced from S&P Capital IQ database and announcement of the transactions. Net profits data are based on the trailing 12-month ("**LTM**") financial data of the acquirees available as of the announcement dates.

(2) Although both median and average share the same role in understanding the central tendency of a set of numbers, median is less affected by outliers and skewed data, and is usually the preferred measure of central tendency when the distribution is not symmetrical. Hence, median has been adopted in this valuation analysis.

Valuation Result of 100% Equity Value of Target Company I
(in RMB'000 unless otherwise specified)

LTM Net Profits of Target Company I [(1)]	6,203
Adopted P/E Multiple	12.1x
Estimated 100% Equity Value of Target Company I	**75,061**

Notes:

(1) The information on the net profit of the Transferred Business for the year ended 31 December 2021 has been provided by the Management. Any items that are non-operating or non-recurring in nature have been excluded in the calculation of net profits.

Valuation of the Equity Value of Target Company II – Income Approach

DCF method of Income Approach was adopted to appraise the fair value of the business enterprise of Target Company II. The business enterprise value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Under DCF method, a forecast of free cash flow streams has to be made throughout the projection period until an assumed stabilization occurs for the assets being appraised or until the end of economic useful life of the subject assets. Free cash flow will not necessarily be assumed to be stable in the near forecast period but is expected to be matured and stabilized in the long run.

To determine the future cash flow derived from Target Company II, we relied on the Projection provided by the Management. We have performed a high-level analysis and review on the Projection and discussed with the Management about the reasonableness and validity of the Projection. Brief descriptions on major assumptions of the Projection have been shown below:

(1) Projection Period

A 5-year projection has been adopted (i.e. 1 January 2022 to 31 December 2026).

(2) Revenue

The revenue of Target Company II is mainly attributable to the provision of property management services to the tenants of the Mall. According to the Management, the area under management is expected to increase from 44,064 sq. meters in FY2022 to 48,064 sq. meters in FY2024, and remain constant afterwards. The effective unit rate expected to be RMB14.44 per month per sq. meter in FY2022, and is expected to gradually increase to RMB16.92 per month per sq. meter in FY2026.

Apart from property management income, Target Company II also generate revenue from in relation to advertising board and rental activities in the common area of the Mall, which accounts for approximately 5.3% to 6.0% of the total revenue.

The total revenue of Target Company II is expected to be RMB8,126 thousand in FY2022 and gradually increase to RMB10,306 thousand in FY2026, with annual growth rates ranging from 3.1% to 9.9%.

(3) Operating Expenses

The operating expenses mainly include salary expenses, maintenance expenses and cleaning expenses. The total operating expenses is expected to be RMB4,350 thousand in FY2022, and gradually increase to RMB5,200 thousand in FY2026, representing 49.7% to 53.5% of the total revenue in the projection period.

(4) Tax Expense

The corporate tax rate is 25.0% in China.

(5) Capital Expenditure

Target Company II had no fixed asset as of the Valuation Date. The Management expected there will be a capital expenditure of RMB48 thousand on office equipment in FY2022, and an annual maintenance capital expenditure of approximately RMB10 thousand starting from FY2023. The fixed assets balance would range from 0.3% to 0.5% of the total revenue in the projection period.

(6) Working Capital

Major working capital items of Target Company II include operating cash, account receivables in relation to the management fee, account payable in relation to the operating expenses, salary payable and tax payables. The net working capital is expected to maintain at approximately 2.8% of the total revenue in the projection period.

Discount Rate and Other Adjustments

In this valuation, we have adopted a discount rate of 15.0%. The discount rate was computed from the Capital Asset Pricing Model ("**CAPM**") by assuming that the capital structure of Target Company II will be similar to the comparable companies in the market.

Based on the CAPM methodology, the cost of equity equals to the risk-free rate plus the product of systematic risk ("**Beta**") and equity market premium. In computation of the Beta, we have observed the share price movements relative to the respective equity market indices of the listed comparable companies.

The comparable public companies are selected with reference to the following selection criteria:

1) The companies are primarily engaged in the provision of property management services;

2) The business activities of the companies with majority of revenue generated from property management services in the PRC;

3) The companies are listed in The Stock Exchange of Hong Kong ("**SEHK**") with more than 3 years' listing period; and

4) The financial information of the companies is available to the public.

The list of comparable companies based on the selection criteria is considered to be exhaustive. Details of the comparable companies are illustrated as follows:

No.	Stock Ticker	Company Name	Brief Description
1	SEHK:6098	Country Garden Services Holdings Company Limited ("**Country Garden**")	Country Garden provides property management services to property owners, residents, and property developers in the PRC. It offers security, cleaning, green landscaping, gardening, repair and maintenance, and other services.
2	SEHK:3319	A-Living Smart City Services Co., Ltd. ("**A-Living**")	A-Living provide property management, sale, and inspection services in the PRC. It operates through five segments: Property Management Services, Asset Management Services, Public Services, City Services, and Community Commercial Services.
3	SEHK:2869	Greentown Service Group Co. Ltd. ("**Greentown**")	Greentown provides residential property management services in PRC, Australia, and Hong Kong. The company offers property management services, including security, cleaning, gardening, and repair and maintenance services; project planning, design management, construction management, and marketing management consulting services to real estate developers; and management consulting services to real estate developers and property management companies.

No.	Stock Ticker	Company Name	Brief Description
4	SEHK:1995	CIFI Ever Sunshine Services Group Limited ("**CIFI**")	CIFI provides property management services in the PRC. It offers services for residential and non-residential properties, such as office buildings, shopping malls, industrial parks, school campuses, hospitals, highway services stations, subway rail transits, tourist scenic spots, and industrial exhibition centers.
5	SEHK:1755	S-Enjoy Service Group Co., Limited ("**S-Enjoy**")	S-Enjoy provides property management and related value-added services for property developers in the PRC. It offers a range of property management services, including property and equipment maintenance, security, cleaning, gardening, public area maintenance, and other property management related services.
6	SEHK:2168	Kaisa Prosperity Holdings Limited ("**Kaisa**")	Kaisa provides property management services in PRC. Its property management services include management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services.

No.	Stock Ticker	Company Name	Brief Description
7	SEHK:982	Huafa Property Services Group Company Limited ("**Huafa**")	Huafa provides property management services in PRC. It also offers property management related value-added services, including municipal supporting and other services; hotel advisory; and exhibition planning and organization services.
8	SEHK:1538	Zhong Ao Home Group Limited ("**Zhong Ao**")	Zhong Ao operates as an independent property management company in the PRC. The company offers property management services; ancillary services, such as cleaning, gardening, security, repair and maintenance, and butler services to the residential and non-residential properties, and commercial and government buildings, as well as indoor and outdoor environmental cleaning, greening and maintenance services;
9	SEHK:1778	Colour Life Services Group Co., Limited ("**Colour Life**")	Colour Life provides property management and community services through an online platform in the PRC. The company is involved in the provision of services for communities under commission basis and lump sum basis; pre-delivery services for property developers; and consultancy services for regional property management companies.

Calculation of Weighted Average Cost of Capital ("WACC")

Parameters	Input as of the Valuation Date	*Note*
Average Debt-to-Equity Ratio	0.4%	*(1)*
Proportion of Equity	99.6%	*(1)*
Proportion of Debt	0.43%	*(1)*
Unlevered Beta	1.07	*(1)*
Re-levered Beta	1.08	*(2)*
Equity Risk Premium	4.97%	*(3)*
Risk Free Rate	2.78%	*(4)*
Cost of Equity	8.13%	
Small Size Premium	3.21%	*(5)*
Company Specific Premium	4.00%	*(6)*
Cost of Equity Adopted	15.34%	
Cost of Debt	4.65%	*(7)*
Tax Rate	25.00%	*(8)*
After-Tax Cost of Debt	3.49%	
WACC	15.00%	

Notes:

(1) It is derived based on the selected comparable companies as of the Valuation Date, sourced from S&P Capital IQ;

(2) Re-levered beta in accordance to the average D/E ratio of the industry;

(3) Based on implied equity risk premium estimated by Aswath Damodaran as of July 2021;

(4) The yield-to-maturity of the government bond with the longest maturity (plus term premium) in the PRC, sourced from S&P Capital IQ;

(5) Sourced from "Duff and Phelps Cost of Capital Navigator";

(6) Given the uncertainties in achieving the financial projections and future operational risks given that Target Company II has relatively short operating history, as well as the concentration risk with a single mall's operation, an additional 4.00% risk premium reflects the business uncertainties of Target Company II;

(7) According to the 5 Years Loan Prime Rate of the People's Bank of China; and

(8) The corporate income tax rate in the PRC.

Business Enterprise Value

Based on the above key inputs and discount rates, the total business enterprise value of Target Company II is approximately RMB29,320 thousand.

While the DCF method gives an indicative BEV as a whole, the equity value is derived from BEV after adjustment of non-operating assets/liabilities, interest bearing debt, excess assets/liabilities and lack of marketability discount ("**LoMD**"). Brief description on those items has been shown below:

(1) Other non-operating assets/liabilities

As of the Valuation Date, the non-operating assets and liabilities mainly compose of other receivables and receipt in advance. The total net non-operating liabilities was RMB28 thousand as of the Valuation Date.

(2) Interest bearing debt

As of the Valuation Date, there is no outstanding interest-bearing debt.

(3) Free excess cash

As of the Valuation Date, free excess cash was the book value of cash after deduction of operating cash, which was amounted to RMB28 thousand.

(4) Lack of Marketability Discount ("LoMD")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. LoMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the shares of Target Company II are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interests in Target Company II are not readily marketable. However, the discount rate adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such discount rate, therefore, represents the marketable interest. Thus, LoMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report "Stout Restricted Stock Study Companion Guide (2021 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a average marketability discount is 15.8%. A marketability discount of 15.8% is considered appropriate and suitable for this valuation as we understand that Target Company II is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1– LoMD)

Valuation Result of 100% Equity Value of Target Company II

Based on the above key assumptions and discount rate, the equity value of Target Company II is estimated at approximately RMB24,692 thousand.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair values of the 100% equity interest of Target Company I and Target Company II as of the Valuation Date are RMB75,061,000 and RMB24,692,000 respectively.

Our valuation is prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council, with the conclusion of value relying extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Xinji Shaxi Group Co., Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS,
RICS Registered Valuer
Managing Director

Analysed and Reported by:

Leo L Lee
CFA
Senior Manager

Kelvin K C Wong
CFA
Senior Analyst

Edmond K S Tsoi
Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arising in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

The following is the text of a letter from the Board prepared for the purpose of incorporation into this circular.

15 March 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

We refer to the announcement of Xinji Shaxi Group Co., Ltd (the "**Company**") dated 15 March 2022 (the "**Announcement**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation report dated 15 March 2022 (the "**Valuation Report**") issued by AVISTA Valuation Advisory Limited (the "**Valuer**") regarding (i) the valuation of the entire equity interests in Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) as at 31 December 2021 using the market approach; and (ii) the valuation (the "**Valuation**") of the entire equity interests in Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) as at 31 December 2021 using the discounted cash flow method of the income approach, which constitutes a profit forecast (the "**Profit Forecast**") as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report dated 15 March 2022 from Linksfield CPA Limited regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Profit Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

We hereby confirm that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board.

Yours faithfully,
For and on behalf of the Board
Xinji Shaxi Group Co., Ltd

Cheung Hon Chuen
Director

** For identification purposes only*

The following is the text of a letter from Linkfields CPA prepared for the purpose of incorporation into this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 佛山信基優享商業服務有限公司

TO THE BOARD OF DIRECTORS OF XINJI SHAXI GROUP CO., LTD.

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 15 March 2022 prepared by AVISTA Valuation Advisory Limited in respect of the appraisal of the fair value of the 100% equity interests in 佛山信基優享商業服務有限公司 (the "**Target Company**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on in the Valuation.

LINKSFIELD CPA LIMITED
Certified Public Accountants

Engagement Director: KWOK CHI KAN
Practising Certificate Number: P06958

Hong Kong, 15 March 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Director's interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

Long position in the Shares:

Name of Directors	Capacity/nature of interest	Number of Shares	Approximate percentage of interest
Mr. Cheung *(Notes 1, 4)*	Interest through a controlled corporation	782,910,000	52.19%
Mr. Mei *(Notes 2, 4)*	Interest through a controlled corporation	782,910,000	52.19%
Mr. Zhang *(Notes 3, 4)*	Interest through a controlled corporation	782,910,000	52.19%

Notes:

1. As at the Latest Practicable Date, Honchuen Investment was wholly-owned by Mr. Cheung. Mr. Cheung is deemed to be interested in all the Shares held by Honchuen Investment under the SFO.

2. As at the Latest Practicable Date, Zuoting Investment was wholly-owned by Mr. Mei. Mr. Mei is deemed to be interested in all the Shares held by Zuoting Investment under the SFO.

3. As at the Latest Practicable Date, Weixin Development was wholly-owned by Mr. Zhang. Mr. Zhang is deemed to be interested in all the Shares held by Weixin Development under the SFO.

4. On 28 December 2018, in preparation for the Listing, Mr. Cheung, Mr. Mei and Mr. Zhang executed the concert parties agreement, pursuant to which they have confirmed their acting in concert arrangement in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group through Honchuen Investment, Zuoting Investment and Weixin Development until the concert parties agreement is terminated by them in writing. As such, Mr. Cheung, Mr. Mei, Mr. Zhang, Honchuen Investment, Zuoting Investment and Weixin Development are deemed to be interested in the Shares held by the others under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

As at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As set out in the announcement of the Company dated 15 March 2022, Guangzhou Shaxi Hotel, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the 2022 Headquarters Tenancy Agreement with Guangzhou Real Estate, as landlord, on 15 March 2022 to renew the lease of the Premises for a term of two years commencing from 1 January 2022 and ending on 31 December 2023 (both days inclusive). As at the Latest Practicable Date, Guangzhou Real Estate is co-owned by Mr. Cheung, Mr. Mei and Mr. Zhang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Cheung, Mr. Mei and Mr. Zhang have indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property, which are principally engaged in the provision of property management services for commercial complex.

On 15 March 2022, Mr. Cheung, Mr. Mei and Mr. Zhang executed the Non-Competition Undertaking in favour of the Company pursuant to which, among others, each of Mr. Cheung, Mr. Mei and Mr. Zhang undertakes to dispose of (i) his indirect interests in the equity interests of Guangzhou Xinji Property and Hubei Xinji Property; or (ii) the property management businesses of Guangzhou Xinji Property and Hubei Xinji Property to third party(ies) within one year after completion of the Acquisitions and grants the Company the right of first refusal for purchasing the said equity interests or property management businesses of Guangzhou Xinji Property and Hubei Xinji Property, subject to compliance with the relevant PRC laws.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

6. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Red Solar Capital Limited	A licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
AVISTA Valuation Advisory Limited	An independent valuer

Each of AVISTA and Red Solar Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As of the Latest Practicable Date, each of AVISTA and Red Solar Capital did not have any direct or indirect interest in any assets which had since 31 December 2021 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As of the Latest Practicable Date, each of AVISTA and Red Solar Capital was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2021 being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over Chinese text in case of and inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Company (www.xjsx.net.cn) and the website of the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

(a) the Share Transfer Agreements;

(b) the letter of advice from Red Solar Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 43 to 70 in this circular;

(c) the valuation report on the entire equity interests of the Target Companies prepared by the Valuer, the text of which is set out in Appendix I to this circular; and

(d) the written consent referred to in the paragraph headed “6. Experts and consent” in this Appendix.

信基沙溪集团股份有限公司
XINJI SHAXI GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3603)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Xinji Shaxi Group Co., Ltd (the "**Company**") will be held at the Conference Room, 2nd Floor, Xinjicheng Club, No. 250, Intersection of Nanda Road, Panyu District, Guangzhou, PRC on Wednesday, 8 June 2022 at 10:00 a.m. to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the conditional sale and purchase agreement dated 15 March 2022 (the "**Share Transfer Agreement I**") (copy of which, signed by the chairman of the meeting for the purposes of identification, has been produced to the meeting marked "**A**") entered into between Guangzhou Xinji Jiuxing Service Co., Ltd.* (廣州信基玖星服務有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, as purchaser, Guangzhou Xinji Property Management Co., Ltd.* (廣州市信基物業管理有限公司), as vendor, Guangzhou Xinji Youxiang Property Co., Ltd.* (廣州信基優享物業有限公司) (the "**Target Company I**"), as target company, and Guangdong Yingbin Investment Management Co., Ltd.* (廣東迎賓投資管理有限公司), Mr. Cheung Hon Chuen ("**Mr. Cheung**"), Mr. Mei Zuoting ("**Mr. Mei**") and Mr. Zhang Weixin ("**Mr. Zhang**"), as guarantors, in relation to the sale and purchase of the entire registered capital of Target Company I for the total consideration of RMB75.00 million and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

   (b) any director of the Company be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Transfer Agreement I and the transactions contemplated thereunder."

2. "**THAT**:

(a) the conditional sale and purchase agreement dated 15 March 2022 (the "**Share Transfer Agreement II**") (copy of which, signed by the chairman of the meeting for the purposes of identification, has been produced to the meeting marked "**B**") entered into between the Purchaser, as purchaser, Foshan Xinji Plaza Management Co., Ltd.* (佛山信基廣場經營管理有限公司), as vendor, Foshan Xinji Youxiang Commercial Service Co., Ltd.* (佛山信基優享商業服務有限公司) (the "**Target Company II**"), as target company, and Xinji Group Company Limited* (信基集團有限公司), Mr. Cheung, Mr. Mei and Mr. Zhang, as guarantors, in relation to the sale and purchase of the entire registered capital of Target Company II for the total consideration of RMB24.00 million and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and is hereby authorised to do all such acts and things and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Transfer Agreement II and the transactions contemplated thereunder."

By order of the Board
Xinji Shaxi Group Co., Ltd
Cheung Hon Chuen
Chairman

Guangzhou, PRC, 13 May 2022

Registered office:
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Principal place of business in Hong Kong:
Rooms 301-303
3/F Golden Gate Commercial Building
136-138 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

* *For identification purpose only*

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than Monday, 6 June 2022 at 10:00 a.m. (Hong Kong time).

4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Wednesday, 1 June 2022.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. The voting at the Meeting shall be taken by way of poll.